

TOWN OF PORT HEDLAND

REPORT ON A REVIEW OF

RISK MANAGEMENT, LEGISLATIVE COMPLIANCE AND INTERNAL CONTROLS

APRIL 2015



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BACKGROUND

SCOPE OF SERVICES

The Town of Port Hedland engaged UHY Haines Norton (WA) Pty Ltd to provide the following services in relation to the Local Government (Audit) Regulation 1996:

- Undertake a high level review of the risk management systems policies, procedures and plans in place at the Town;
- Evaluate the financial internal control systems and procedures at the Town with an emphasis on controls to reduce the risk of fraud and controls to reduce the risk of misappropriation of staff reimbursements and the use of corporate credit cards;
- Evaluate the operational internal control systems and procedures at the Town including a review of the probity of the Town's procurement framework (including tendering);
- Assess systems and processes for maintaining legislative compliance including an assessment of the reliability of the Town's latest compliance audit return;
- Develop a 'gap analysis' of any improvements identified during this assessment; and
- Provide in our report, recommendations identified during our review to assist the Chief Executive Officer assess the appropriateness and effectiveness of the relevant systems and procedures.

REVIEW REQUIRED BY LEGISLATION

The Local Government (Audit) Regulation 1996, Regulation 17, requires the following:

- 1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
- 2) *The review may relate to any or all of the matters referred to in sub regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- 3) *The CEO is to report to the audit committee the results of that review.*

This is the inaugural review undertaken in response to Regulation 17 and our report is prepared for the Chief Executive Officer (CEO) to assist with the task of achieving compliance with the legislation.

In accordance with Regulation 16(c) of the Audit Regulations, the Audit (Risk and Finance) Committee is required to review a report prepared by the CEO, and then report to the Council the results of the Committee's review, at the same time, attaching a copy of the CEO's report.

Operational guidelines prepared by the Department of Local Government and Communities (Audit in Local Government, number 09, September 2013) provides background to the expected outcomes of the review. An extract of the relevant content of the operational guideline number 09 has been reproduced at **Appendix D**.

INTRODUCTION

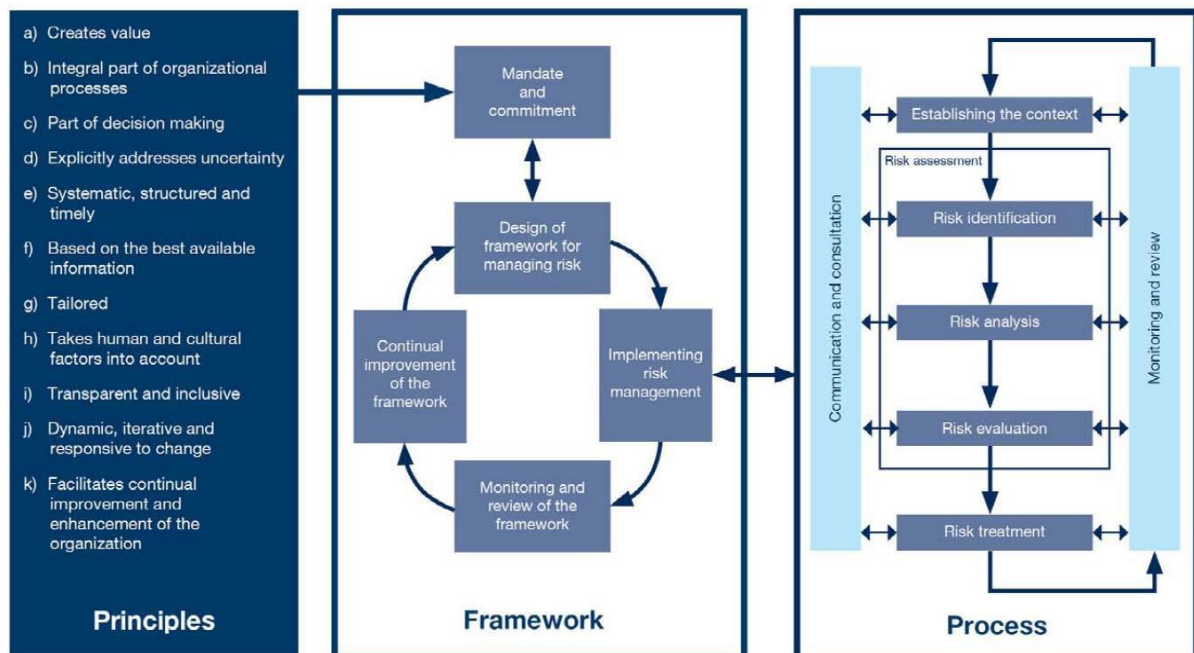
REVIEW METHODOLOGY

The primary goal of the review is to assist to establish the appropriateness and effectiveness of the Town of Port Hedland's systems and procedures in relation to risk management, legislative compliance and internal controls.

The Australian Standard for Risk Management (ISO 31000) outlines three components in the application of Risk Management - Principles, Framework and Process (see Diagram 1).

Internal controls are considered part of the risk treatment, within the risk management process, and legislative non-compliance is one of the risks that would be identified as part of applying the risk management process.

Diagram 1. Risk Management principles, framework and process



(Standards Australia/Standards New Zealand, 2009)

In undertaking our review, we have applied the ISO 31000 risk management framework to each of the three review topics (risk management, internal controls and legislative compliance). This resulted in a review that incorporates the five components of the framework, being an overall mandate and commitment, framework design, implementation, monitoring and continuous improvement as follows:

- Identify the extent of commitment and mandate to the principles;
- Establish an appropriate framework for each review component (risk management, legislative compliance and internal controls) after considering the overall context in which the review occurs;
- Assess the appropriate framework against the current framework;
- Assess the implementation of the current framework;
- Assess the degree of monitoring of the current framework and its effectiveness;
- Assess the gaps (if any) between the current framework and the identified appropriate framework and document improvements;
- Report on the appropriateness and effectiveness of current systems and procedures.

INTRODUCTION (CONTINUED)

STRATEGIC COMMUNITY PLAN

The Strategic Community Plan 2012-22, and the Corporate Business Plan 2015-18, identify the organisational objectives and key outcomes as the Town seeks to achieve its vision:

“Our vision is to become a nationally significant friendly city that people are proud to call home.”

Central to this vision are four themes and outcomes:

- **Building a unified and vibrant community;**
- **Supporting a diverse economy;**
- **Balancing our built and natural environment; and**
- **Leading our Community**

To achieve the ‘Leading our Community’ outcome the Town has adopted the objective of “strategic and best practise local government administration” applying with the following strategies:

- Deliver high quality corporate governance accountability and compliance;
- Maintain a strong and sustainable financial position;
- Be efficient and effective in use of resources, infrastructure, assets and technology; and
- Attract, develop and retain an effective workforce to deliver organisational outcomes

In striving to achieve its vision and strategic goals, the Town will encounter many risks (both inherent and business) and be expected to maintain legislative compliance. To manage these risks, and comply with the Law, the Town has established various procedures, processes and controls. Our review examines the appropriateness and effectiveness of these controls and systems in the context of achieving the Town’s organisational outcomes.

REVIEW CONTEXT

REVIEW CONTEXT AT THE TOWN OF PORT HEDLAND

It is important to understand the external and internal context in which the Town of Port Hedland operates relevant to risk, the internal control environment and the task of legislative compliance. That is, to understand the environment in which the Town seeks to achieve its strategic objectives. The primary external and internal influences identified during the review are set out below:

External Factors	Internal Factors
Increasing community expectations in relation to service levels and service delivery.	The objectives and strategies contained in the Council's current Strategic Community Plan.
Rapid changes in information technology changing the service delivery environment.	The timing and actions contained in Council's Corporate Business Plan.
Increase compliance requirements due to Government Policy and Legislation.	The current organisational size, structure, activities and location.
Cost shifting by other levels of Governments.	The current human resourcing levels and turnover rate.
Reducing external grant funding for infrastructure and operations.	The current financial capacity.
Land and accommodation availability and affordability.	The maintenance of corporate records.
Significant resource based economic activity.	

These factors will influence the organisation's capacity to achieve its strategic goals, the setting of risk criteria and policy and its risk appetite (being the level of risk the organisation is willing to retain or pursue).

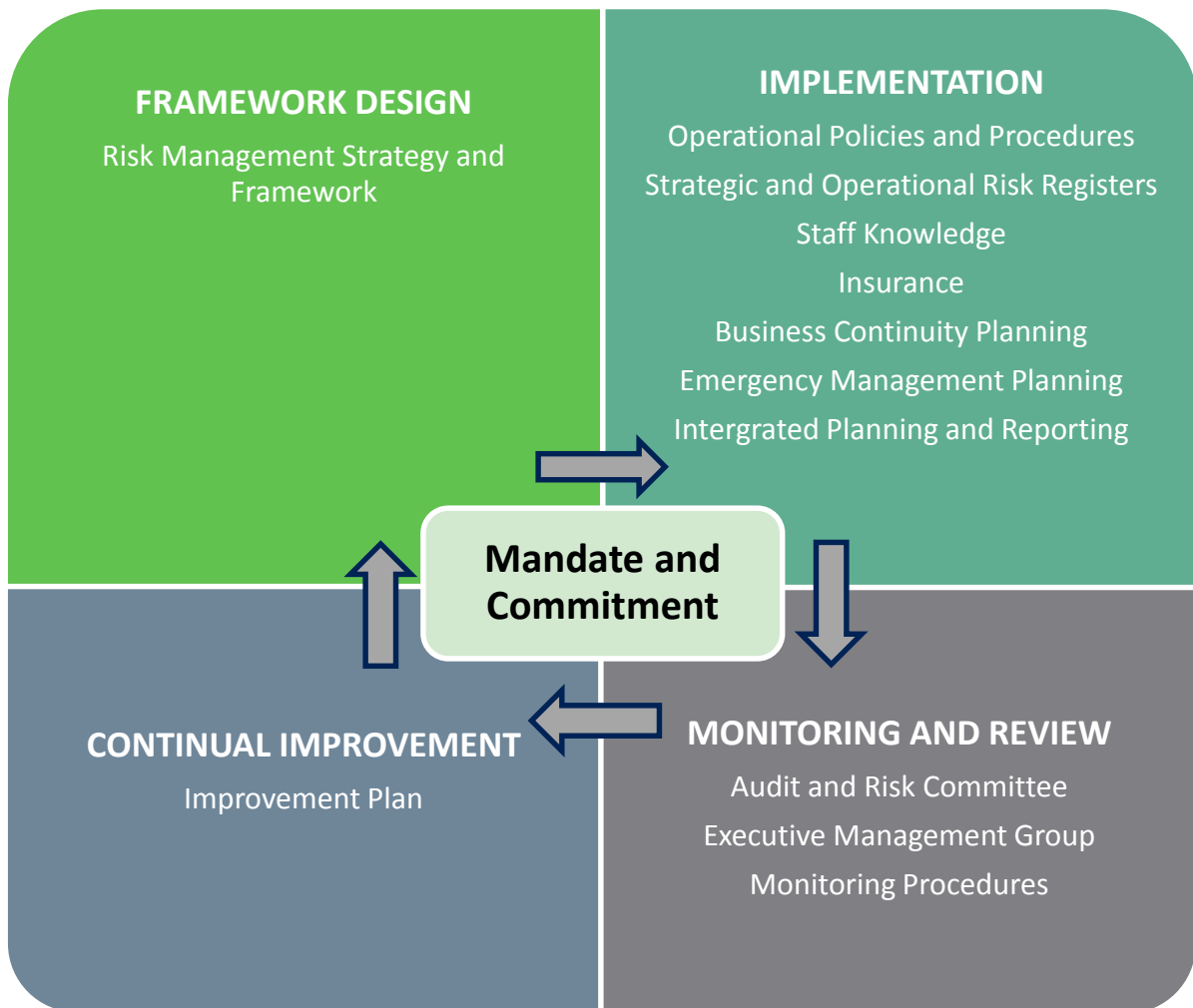
Understanding the risk environment and risk appetite helps determine the level of acceptable/unacceptable risk in relation to breaches of legislation and controls and the extent of additional controls and risk treatments required.

As a public body, there is an inherent expectation the Town will maintain a low appetite for the risk of legislative non-compliance, with a priority to maintain the organisation's reputation and to protect public funds from loss or misappropriation. The appetite for risk, in relation to service delivery, finance, health and safety, environment, reputation and legal/regulatory is considered to be low to medium. Where the level of risk is considered 'high' or 'extreme', additional controls may be required to reduce the level. In circumstances where the level of risk cannot be reduced below a 'high' rating, close monitoring of risk controls will be necessary to ensure they remain effective.

RISK MANAGEMENT FRAMEWORK

The following risk management framework was identified as being appropriate for the Town of Port Hedland after consideration of the current internal and external influences.

RISK MANAGEMENT FRAMEWORK



The results of our review against the above framework is detailed in **Appendix A** and summarised on the following page:

RISK MANAGEMENT FRAMEWORK (CONTINUED)

APPROPRIATENESS

At present, there is no documented strategy or framework to guide the implementation of risk management at the Town of Port Hedland. Considering the size, resources, operations and the context in which the Town of Port Hedland operates, a documented risk management strategy and framework is considered as required to support decision making and document the organisations response to risks. Whilst risk management processes do occur within certain aspects of the organisation there is no overarching framework for these management processes. The establishment of a corporate wide framework when assessing and managing risk is viewed as the most appropriate approach to risk management.

EFFECTIVENESS

Currently there are number of informal risk management practices and activities being undertaken, however their effectiveness is not being formally measured and monitored making it difficult to assess their effectiveness. Where risks are documented and rated, there is no monitoring or subsequent assessment to determine the effectiveness of the risk treatments applied. A lack of significant adverse risk events is not considered an appropriate indicator of the effectiveness of these current practices.

RISK MANAGEMENT IMPROVEMENTS

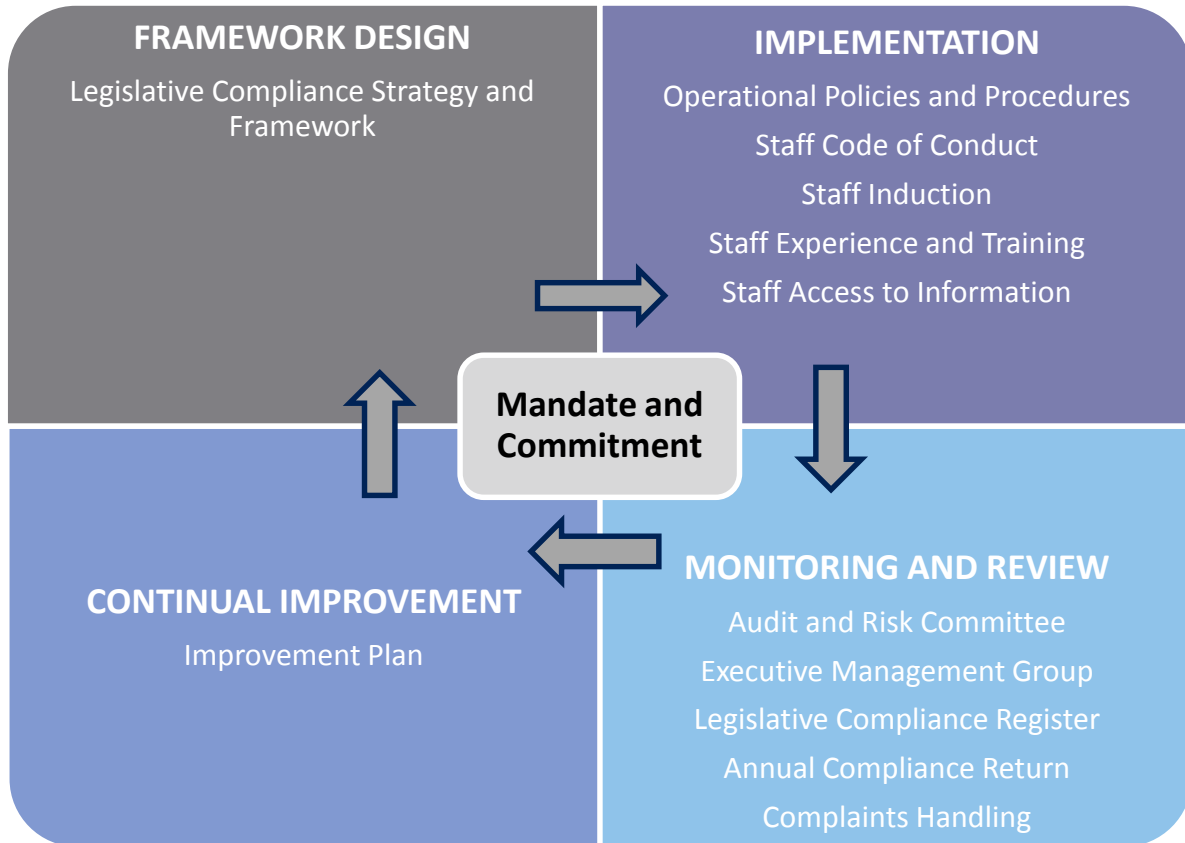
Improvements to the current framework, procedures and systems for risk management are set out in **Appendix A**, with key recommendations summarised as follows:

- The establishment of a risk management strategy and framework (supported by Council Policy) aligned to the latest risk management standard (ISO 31000) to guide the implementation of risk management and its impact on decision making and the business processes of the Town of Port Hedland;
- Inclusion of key risks affecting Council decisions within agenda items for Council consideration to help ensure strategic risks are considered, monitored and reported throughout the organisation;
- Documented risk management processes and procedures for significant operational activities; and
- The inclusion of risk management as a topic within the staff induction process to assist employees gain a common understanding of their role in the reporting and treatment of identified risks.

LEGISLATIVE COMPLIANCE FRAMEWORK

The following legislative compliance framework was identified as being appropriate for the Town of Port Hedland after consideration of the current internal and external influences.

LEGISLATIVE COMPLIANCE FRAMEWORK



The results of our review against the above framework is set out in **Appendix B** and summarised on the following page:

LEGISLATIVE COMPLIANCE FRAMEWORK (CONTINUED)

APPROPRIATENESS

Presently, the Town completes the Annual Compliance Audit Return in relation to compliance with the Local Government Act however, no formal documented processes surrounds the Town's approach to overall legislative compliance across the organisation.

One of the most important controls in maintaining legislative compliance is a motivated, stable, experienced and knowledgeable senior management group. Maintaining legislative compliance is heavily reliant on the knowledge, experience and commitment of the CEO and Senior Staff as they identify and prevent breaches of legislation. High staff turnover, competing priorities and variations in workloads has the potential for a significant negative impact on the capacity of senior staff to ensure legislative compliance.

Considering that local governments generally have an inherently low risk appetite for breaches of legislation, a documented legislative compliance strategy is considered appropriate to reduce the risk of legislative compliance breaches at times of key staff turnover and competing priorities.

EFFECTIVENESS

In instances where the effectiveness was able to be assessed, the current legislative compliance control procedures and systems, though largely informal, are considered to be operating effectively.

There were instances of compliance breaches noted within the latest Annual Compliance Audit return, as well as identified during the review. Where appropriate the executive undertook immediate action to rectify the breaches.

LEGISLATIVE COMPLIANCE IMPROVEMENTS

Improvements to the current framework, procedures and systems for legislative compliance are set out in **Appendix B** with key recommendations summarised as follows:

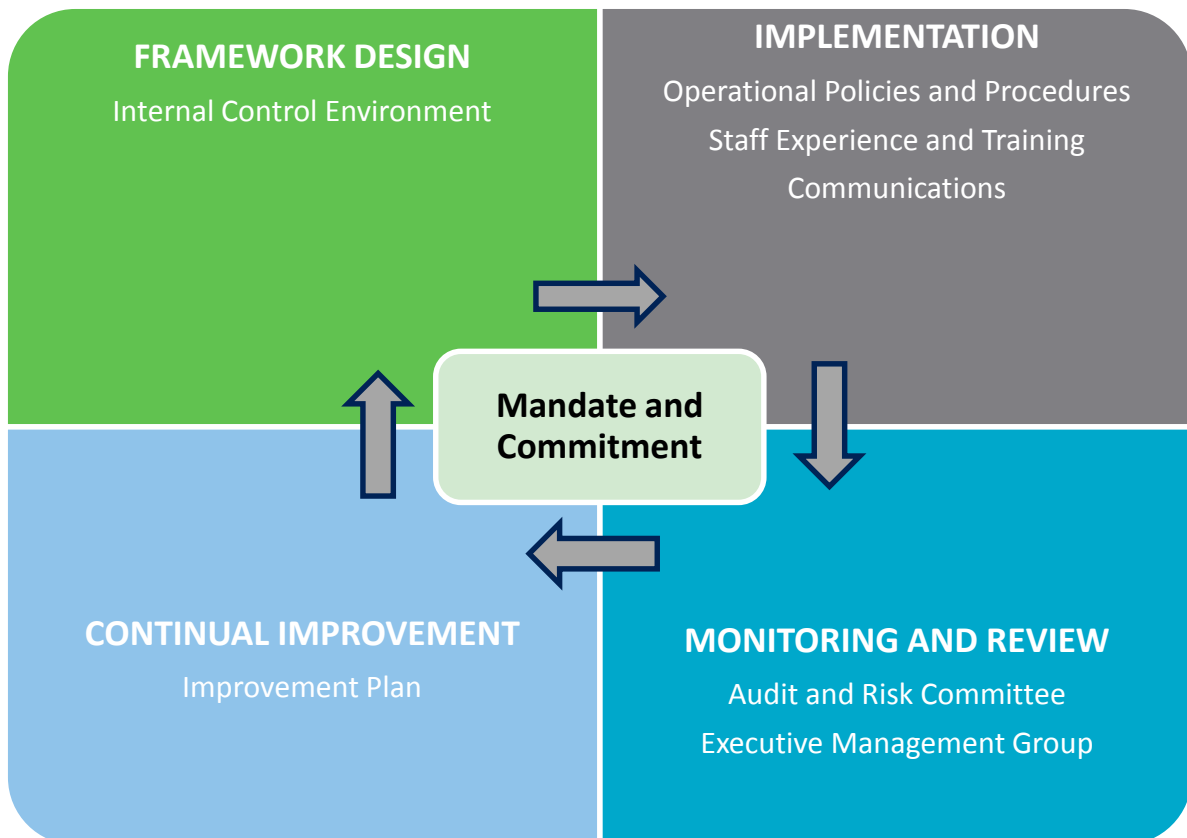
- The establishment of a Legislative Compliance strategy and framework to identify the practices supporting legislative compliance throughout the organisation.
- The Code of Conduct be amended to incorporate the requirement to report identified breaches of legislation to the appropriate Officer.
- The staff induction process include the topic of legislative compliance and draw attention to the requirement in the Code of Conduct.
- The development of a risk based training matrix to ensure senior staff with the responsibility for preventing, identifying and reporting breaches of legislation undertake relevant training to ensure their knowledge of legislative requirements remains current.
- The Audit (Risk and Finance) Committee review the annual compliance audit return to comply with legislative requirements.

INTERNAL CONTROL FRAMEWORK

INTERNAL CONTROL ENVIRONMENT AND FRAMEWORK

The following internal control environment and framework was identified as being appropriate for the Town of Port Hedland after consideration of the current internal and external influences.

INTERNAL CONTROL ENVIRONMENT FRAMEWORK



The results of our review against this framework is set out in **Appendix C** and summarised on the following page.

We undertook a high level review of internal controls which precluded detailed testing of all internal controls.

INTERNAL CONTROL FRAMEWORK (CONTINUED)

APPROPRIATENESS

Considering the size, resources, operations and the context in which the Town of Port Hedland currently operates, the Town's existing internal control framework, procedures and systems require improvement to be generally considered appropriate. Implementation of a risk based approach to internal controls is considered to be the most appropriate approach to improving internal controls.

EFFECTIVENESS

Whilst internal controls are considered to be generally operating effectively, a number of weaknesses in the current internal control framework, procedures and systems have been identified by management and are being addressed. Use of well documented operating procedures and increased reporting is essential to ensuring the effectiveness of internal controls given the high staff turnover in the Town.

INTERNAL CONTROL IMPROVEMENTS

Improvements to the current framework, procedures and systems for internal controls are set out in **Appendix C**, with key recommendations summarised as follows:

- The development of an Internal Control Policy, including a risk based approach to internal control development and assessment. Approaching the development of internal controls by applying a risk based assessment increases the efficiency and effectiveness of controls across the organisation as it has the potential to not only identify new controls but also those that may be removed or combined;
- The effectiveness of financial controls may be improved by documenting current procedures, describing the task, its associated consequences and lines of authority;
- Increased monitoring of internal controls through increased management reporting; and
- Improvements to the cash controls for locations other than the Administration building.

Limited documented procedures significantly reduced the ability to test the effectiveness of internal controls through detailed testing. Analysis of previous audit documentation combined with discussion with staff has enabled us to draw adequate conclusions from the information to hand.

In accordance with our scope, detailed testing of specific areas identified by management was undertaken. In some instances, depending on the outcome of our analysis, we performed limited additional testing. The results of this detailed testing has been provided within a separate document.

MONITORING AND COMPLIANCE

Developing and implementing systems and procedures for risk management, legislative compliance and internal controls into an organisation can be a time consuming and expensive exercise with the potential to divert resources away from direct services.

After implementing these systems, it is important to put in place practices that regularly monitor and assess their effectiveness to ensure they continue to meet their intended purpose.

Over time, the relevancy of the control in place may change, its purpose may be forgotten, or technology may offer a more effective and efficient way to achieve the initial goal. For all these reasons, formal risk based review procedures are required to ensure the resources applied to maintaining these systems, practices and controls are used in the most efficient way.

The Executive Leadership Team (ELT) should review the results of the monitoring and compliance program for Risk Management, Legislative Compliance and Internal Controls at regular meetings. Minutes of the EMG meetings (containing a summary of the incidents) can then be reviewed by the CEO and summary reports presented to the Audit and Risk Committee quarterly.

OTHER

BIBLIOGRAPHY

Standards Australia/Standards New Zealand. (2009). *AS/NZS ISO 31000:2009 Risk management - Principles and guidelines*.

DISCLAIMER

The services to be provided in terms of this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standard Board and, consequently no opinions or conclusions are intended to convey assurance has been expressed or implied.

The report will be prepared solely for the purpose set out in the proposal response and is not to be used for any other purpose or distributed to any other party without UHY Haines Norton (WA) Pty Ltd prior consent. Any reliance placed by a third party on the report is that party's responsibility.

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DOCUMENT DATE

15 April 2015

RISK MANAGEMENT FRAMEWORK REVIEW

RM 1.0 Framework Design

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
RM 1.1	Council Policy - Risk Management Policy	To evidence the Council's commitment to incorporating risk management practices into decision making and its importance to the Organisation.	Council has not developed or adopted a risk management policy.	Not applicable.	That a risk management policy be developed for adoption by the Council.
RM 1.2	Risk Management Strategy or Framework	A documented strategy and framework to support a risk management policy.	No risk management strategy or framework has been developed. The appropriateness of the strategy and framework should be determined with reference to ISO 31000.	Effectiveness cannot be determined as no strategy or framework is currently documented.	That a risk management strategy and framework (including an organisational risk matrix) be developed to guide and support the implementation of risk management.

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
RM 2.1	Occupational Health and Safety Policy 1/016	A policy to provide guidance to the executive to minimise the risk of work based injury or death.	The policy appears appropriate for the Town of Port Hedland.	Effectiveness unable to be determined as policy had only been in place for four months and is currently being implemented.	No action required.
RM 2.2	Insurance Strategy or Policy	A policy to provide guidance to Officers as to the management of risk through insurance.	No documented policy in existence.	Effectiveness is unable to be determined in the absence of a documented policy.	That an Insurance Strategy and Policy be developed to provide clarity on issues such as the level of self-insurance, the adequacy of cover and the basis of the valuation of the insured assets.
RM 2.3	Risk Management Working Group	A working group to progress the implementation of risk management across the organisation and to monitor risk management practices.	No working group currently in place with no risk management policy or framework available.	Unable to assess in the absence of a risk management policy or framework.	That a working group be established and maintained to progress and oversee the implementation of any risk management strategy and framework.
RM 2.4	Staff Induction	To ensure new staff are aware of their obligations to be aware of risk management, the OSH risks and their obligation to report breaches of controls and other risk related incidences.	Risk management is not an included topic within the induction process.	Our review established that although OSH Induction is currently undertaken evidence of the inductions are not always recorded within the personnel file.	That long term employees be the subject of a re-induction process to ensure they are aware of changes to risk management and OSH risks procedures since their initial induction. That records of inductions are maintained within staff personnel files.
RM 2.5	OSH Committee	A working committee is established to implement OSH strategy and procedures.	A risk based assessment of OSH issues is not included within committee minutes.	Currently a risk based prioritisation of OSH is not undertaken.	That a risk based assessment of OSH issues be undertaken by the working committee and included within the minutes to enable prioritisation of risk treatments.

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
RM 2.6	Town of Port Hedland Business Continuity Management Arrangements	To plan for the prevention, response and recovery from events that may threaten the capacity of the Town to continue to provide services and good governance.	The Business Continuity Plan Management Arrangements currently existing appear appropriate. We note the plan was due for review in November 2014	The effectiveness of a plan is unable to be determined. Elements of the LEMC plan encompassed within the arrangements have been tested.	That the Business Continuity management arrangements be subject to documented testing and reviewed following testing.
RM 2.7	Local Emergency Management Plan 2011 Draft	A plan is prepared in accordance with the requirements of Emergency Management Act 2005 [s.41(4)] and State Emergency Management Policy 2.5	The plan was last updated in 2011. Changes in State Government structures have not been updated within the Plan.	The effectiveness is unable to be determined as the plan has not been subject to risk based testing.	That, the plan be reviewed and updated. Documented testing should be undertaken in accordance with Part 7 of the plan.
RM 2.8	Tropical Cyclone and Storm Surge Procedures Manual 2014	A manual is prepared to establish principals for the management of tropical cyclones and storm surges. The manual details the planning, preparation, response and recovery procedures for employees.	The plan appears up to date and appropriate.	The effectiveness has not been specifically tested, staff representations indicate the plan has been effective for recent cyclone activity.	No action required.

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
RM 2.9	Records Disaster Management Plan	A plan is prepared to minimise the risk of loss of records in the event of a disaster.	A Disaster Prevention and Recovery Plan is in place as part of the Record Keeping Plan. Records are not maintained electronically in all cases.	Effectiveness was not determined.	That a Plan be developed to: <ul style="list-style-type: none"> ○ Consider risks in accordance with Risk Management Policy and the associated Strategy and Framework. ○ Provide for the timely electronic storing of all records. ○ Require electronic records to be routinely backed up and stored at sufficiently remote geographic location to reduce the risk of the impact of a common disaster event. ○ Require routine testing to ensure currency and completeness of restored backups.
RM 2.10	IT Disaster Recovery Plan	A plan to minimise the risk of loss of IT systems, processes and information in the event of a disaster.	An IT Disaster Recovery Plan was not available for review. We note significant work was being undertaken to address IT issues identified by an annual IT audit.	Effectiveness was not able to be determined.	That steps to address already identified critical IT issues continue and an IT Disaster Recovery Plan be developed.
RM 2.11	Long Term Financial Plan 2014/15 – 2023/24	A plan to reflect the Town's forecast financial capabilities over the Long Term.	The plan does not assess financial risks as recommended by the Department of Local Government and Communities Long Term Financial Planning Guidelines.	Effectiveness was not determined. The amount required to be raised from rates within the Plan was outside of statutory requirements for years 2 to 10.	That a Long Term Financial Plan be developed which considers financial risks and conforms with statutory limits set out by Section 6.34 of the <i>Local Government Act 1995</i> be developed.

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
RM 2.12	Asset Management Policy 9/010	A policy is to ensure the Town has sufficient structure, systems, processes, resources and commitment to deliver asset service outcomes.	The Policy commits to the use of risk management to reduce the exposure to injury, liability and asset failure and is considered appropriate.	Not considered effective as the risk assessment within the asset management plan is not based on any risk management policy and the basis for the assessment is not apparent.	Review the asset management plans to ensure a risk based approach to asset management in accordance with the Asset Management Policy.
RM 2.13	Safe Work Procedure 09 – Incident and Hazard Reporting	To ensure reporting of incidents and hazards occurs in a timely manner with corrective action being taken.	The procedure appears generally appropriate. We note, the procedure does not include a number of items which we have detailed in the comments column.	We were unable to determine if any incidents/accidents have remained unreported or how many incidents were preventable.	That the procedure be amended to: <ul style="list-style-type: none"> ○ Require relevant evidence (preferably photographic) to be obtained on a timely basis; ○ Provide clarity as to whom contractors, temporary personnel, service personnel and volunteers should report incidents; ○ Implement controls to ensure procedure is followed at all times; and ○ Require the recording of incidents/accidents in the incident/accident register
RM 2.14	Emergency/Evacuation Plan – Town Buildings	To ensure uniformity in the handling of building related emergency situations and evacuations.	The emergency response procedures were available for the Civic Centre (2014), Libraries (2002), Matt Dann (2007) and JD Hardie Centre (2009). With the exception of the Civic Centre the Emergency/Evacuation Plans appear out of date. No procedures were made available for other Town buildings.	The effectiveness of the plans was unable to be determined in the absence of documented testing of procedures.	That emergency/evacuation plans for all Town buildings be developed and implemented. That existing emergency/evacuation plans be reviewed to ensure they remain current.

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
RM 2.15	Staff Cyclone Procedures	To ensure procedures to be applied when a cyclone information bulletin has been issued.	Procedures appear appropriate.	From our review, to date, the procedures appear effective in managing the Towns response to cyclones	No action required.
RM 2.16	Events risk assessment	To require risk assessment to be undertaken as part of the hosting of community events on Town property.	The requirement for events to be the subject of a risk assessment prior to approval appears appropriate.	The use of a standardised risk management plan for completion by event hosts and then review by senior officers would be more effective and efficient.	That a standardised risk management plan for completion by event hosts and review by senior officers be developed.
RM 2.17	Asset Management Risk Assessment	Inclusion of a risk assessment undertaken as part of development and maintenance of the Town of Port Hedland Asset Management Plans.	Management does not consider the Asset Management Risk assessment to be appropriate and is currently reviewing the Plan.	The effectiveness was unable to be determined.	That the Asset Management Risk assessments be undertaken in accordance with the risk management strategy/framework (to be developed). Treatment plans should be monitored to ensure risks are reduced to a medium level.
RM 2.18	Workforce Risk Assessment	Inclusion of a risk assessment undertaken as part of the development and maintenance of the Town of Port Hedland's Workforce Plan 2012-2016..	The Workforce Plan does not include any formal assessment of workforce risks.	Effectiveness unable to be determined.	That future revisions of the Workforce Plan include an assessment of key risks.
RM 2.19	Project Specific Risk Assessments	To undertake a risk assessment as part of a major project brief.	Project specific risk assessments are not undertaken for all major projects.	The effectiveness was unable to be determined.	That procedures be developed to ensure risk assessments are undertaken in accordance with a risk strategy and framework (to be developed) prior to major project approval.

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 2.0 Implementation

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
RM 2.20	Entity Risk Register	A risk management tool to record the risk management processes for the organisation.	No entity wide risk register is currently maintained.	The effectiveness of the entity risk register was not able to be determined.	That an entity risk register be outlined in the risk management Strategy and Framework (to be developed) and the register be routinely maintained and monitored.
RM 2.21	Legal Representation – Costs Indemnification Policy 1/009	To protect the interests of council members and employees (incl. past members and former employees) where they become involved in civic legal proceedings because of their official functions.	The policy appears appropriate	The effectiveness was unable to be determined.	No action required.
RM 2.22	Occupational Safety and Health (OSH) Register	The maintenance of a hazard based register of OSH matters.	No OSH register was available for review.	Unable to be determined	That an OSH register capable of providing regular reports and identifying OSH trends be maintained and regularly reviewed by the OSH Committee.

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 3.0 Monitoring and review

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
RM 3.1	Audit (Risk and Finance) Committee	An Audit (Risk and Finance) Committee is required by the Local Government (Audit) Regulations 1996, and its composition and role is prescribed.	The Audit (Risk and Finance) Committee does not currently receive reports of identified high and extreme risks.	Our review was unable to assess the effectiveness of the Committee's role in monitoring documented risk.	That the Committee receive bi-annually reports containing information on extreme and high risk ratings in accordance with a Risk Management Strategy and Framework.
RM 3.2	Executive Leadership Team (ELT)	The establishment of an effective ELT charged with implementation of Council policies.	An ELT exists however operational risks are not documented or rated as no risk management framework or strategy exists.	Unable to assess in the absence of a risk management policy or framework.	That risks are regularly documented and monitored by the ELT with key operational risks included within the minutes.
RM 3.3	Council Agendas and Minutes	Key risks impacting on decisions are disclosed to the Council at the time staff recommendations are made.	At present risks are not separately highlighted under a separate heading.	Unable to assess effectiveness.	That a separate heading relating to risk be included within Council agenda items to draw attention to the risks associated with the decision.
RM 3.4	OSH Committee	A working committee established to implement OSH strategy and procedures.	An OSH committee is in place however the Committee does not minute any formal risk assessments or review to ensure risks have been appropriately treated.	Unable to assess effectiveness as no record available of treatment of identified OSH risks.	That the OSH Committee minute the review of the Hazards/Accidents/Incidents register to determine if identified risks have been adequately treated in accordance with a risk management strategy and framework (to be developed).
RM 3.5	Monitoring Compliance	To ensure policies relating to risk management are adhered to by the organisation and their effectiveness is monitored.	No routine monitoring is currently occurring.	Unable to assess.	That the risk management strategy and framework (to be developed) contain practices requiring the routine monitoring and reporting of risks.

RISK MANAGEMENT FRAMEWORK REVIEW (CONTINUED)

RM 4.0 Continuous Improvement

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
RM 4.1	A program developed to implement improvements in risk management practices and to guide the implementation process.	No improvement plan is currently in place. An improvement plan has been developed as part of this review.	Not applicable.	That the improvement plan be adopted to progress the risk management strategy and framework (to be developed).	That an improvement plan developed from this report be prepared in support of risk management practices and to guide the process of implementation (to be developed).

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW

LC 1.0 Framework Design

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
LC 1.1	Management Framework - Legislative Compliance In Action	An established Legislative Compliance Framework with a Risk Register, systems and controls and detailed practices to support Legislative Compliance.	No formal legislative compliance framework exists.	The effectiveness of legislative compliance is currently highly dependent on the experience of the CEO and Senior Staff.	That a Legislative Compliance strategy and framework be developed to support legislative compliance.

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW

LC 2.0 Implementation

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
LC 2.1	Staff training strategy	To ensure staff have the appropriate induction and training to understand the legislative requirements relevant to their role.	Staff training is currently undertaken in the absence of a staff training strategy and is impacted by budget constraints. A formal training strategy would reduce the risk of training being impacted by changes in senior staff and budgetary pressures.	Ad hoc training limits effectiveness.	That a risk based training matrix be developed identifying and addressing training needs as part of a broader workforce plan. We note management has recently developed a draft training plan and intends to further develop this plan.
LC 2.2	Experienced Staff	To ensure staff engaged at a senior level and in technical roles have an understanding of the legislative requirements relevant to their role.	Current position descriptions for relevant senior roles contain qualification requirements relevant to the role.	Due to the remote location of the Town, staff recruitment and retention is at times limited and occasionally result in staff appointments who have less than desirable qualifications or experience.	That actions continue to address staff recruitment issues with the goal of improving the effectiveness of recruiting appropriately qualified and experienced staff.
LC 2.3	Access to information	To ensure staff have timely access to new legislation (or changes) as they occur.	There are no procedures in place to ensure staff are advised of legislation changes. Reliance is placed on the notification of senior officers by professional and local government associations and subscription to advice services.	Given experience level of senior staff current practice appears to be effective.	No further action at present.

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW

LC 2.0 Implementation

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
LC 2.4	Code of Conduct for Elected Members and Staff	The elected members and staff have consistent guidelines for an acceptable standard of professional conduct in relation to legislative compliance.	Two different Codes of Conduct are currently in circulation with no clarity as to which version is in force. Neither Code of Conduct requires the reporting of noted possible breaches of legislation or internal controls.	The effectiveness of the Code of Conduct was unable to be determined as it does not require reporting of breaches and it is unclear which Code of Conduct is in force.	To provide clarity on the applicable Code of Conduct the two Codes of Conduct should be consolidated into a single version. Old version should be removed and both Elected Members and Staff inducted in a new consolidated Code of Conduct. The new Code of Conduct should require the reporting of any noted potential breaches of legislation by Elected Members or Staff.
LC 2.5	Code of Conduct for Contractors and Volunteers.	To provide contractors and volunteers with consistent guidelines for an acceptable standard of conduct in relation to legislative compliance.	No Code of Conduct exists for contractors or volunteers.	The effectiveness was unable to be determined.	That an abridged Code of Conduct be developed which applies to contractors and volunteers and requires the reporting of any noted potential breaches of Legislation.
LC 2.6	Management Procedure –Statutory Environment in Council agendas	To provide Councillors with relevant legislative information to assist in decision making process.	The documentation of the relevant statutory environment in Council agenda items appears appropriate.	The current procedures appears to be effective with no Council decisions noted as non-compliant.	No further action.
LC 2.7	Council Policy - Records Management	To provide the principles for the management of Records by elected members and staff.	The Town has a Records Keeping Plan but a formal Records Management Policy has not been adopted by Council.	Effectiveness is unable to be determined.	That a Records Management Policy be developed to provide clear policy guidelines for the management of the Town's records.
LC 2.8	Council Policy - Significant Accounting Policies	To provide guiding policy in the recording and reporting of Financial transactions and accounting judgements and estimates.	The Policies contained within the Annual Financial Report 2013-2014 appear appropriate and up to date.	Policy appears effective with no issues identified by external auditors.	No further action.

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW

LC 2.0 Implementation

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
LC 2.9	Management Procedure - Compliance Audit Return	Management procedures designed to guide staff on the completion of the annual compliance audit return.	Whilst procedures are not documented, current procedures are reliant on officers responding correctly.	Incorrect completion of the return has previously been identified.	That procedures be developed for officers involved in completion of the return to follow and sign off on the accuracy of their responses.
LC 2.10	Executive Leadership Team (ELT)	An ELT charged with implementation of Council policies.	Legislative compliance is discussed in meetings however a record of these discussions do not appear in the minutes.	The ELT do not view the current practices as effective.	That the legislative compliance register be routinely reviewed by the ELT.
LC 2.11	Communication	To ensure staff, contractors and regular volunteers are aware of their obligation to report breaches of legislation to the appropriate Officer.	The expectation that breaches of legislation be reported is not included within Code of Conduct. No Code of Conduct or induction for regular contractors or volunteers.	To ensure staff, contractors and regular volunteers are aware of their obligation to report breaches of legislation to an appropriate Officer.	That an obligation to report legislative breaches be included within the Code of Conduct. A condensed Code of Conduct/induction be developed for regular contractors and volunteers.

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW (CONTINUED)

LC 3.0 Monitoring and Review

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
LC 3.1	Audit and Risk Committee	An Audit (Risk and Finance) Committee is required by the Local Government (Audit) Regulations 1996, and its composition and role is prescribed.	The compliance audit return is approved by the Audit and Risk Committee annually. No other reporting of legislative compliance was identified.	Considered effective for the Local Government Act 1995. Unable to be assessed for other Legislation.	That a management framework (to be developed) requires the reporting of breaches of other legislation to the Committee.
LC 3.2	Legislative Compliance Register	A Legislative Compliance risk management tool used to record legislative compliance breaches for the Town.	No register currently exists.	Not applicable.	That a concise legislative compliance register be developed to enable the monitoring and recording of legislative breaches and associated controls.
LC 3.3	Annual Compliance Audit Return	An annual compliance audit return is adopted by Audit (Risk and Finance) Committee of Compliance with <i>Local Government Act 1995</i> .	The return appears appropriate.	The return appears effective for the Local Government Act 1995.	No further action.
LC 3.4	Executive Leadership Team (ELT)	The ELT establishes senior management leadership in relation to legislative compliance practices, monitoring the progress of implementation and the effectiveness of the associated controls and systems.	Legislative compliance issues do not appear in the ELT minutes of meetings reviewed.	Unable to assess effectiveness.	That legislative compliance issues be raised and documented.
LC 3.5	Complaints Handling	To ensure a process exists to track complaints from the public and staff regarding legislative compliance.	2009 Procedure for Customer Complaints needs to be reviewed and updated.	Effectiveness was not assessed due to the age of the procedure and lack of appropriate register.	That the procedure for handling customer complaints be reviewed and updated to ensure all complaints are tracked, investigated and appropriately addressed.

LEGISLATIVE COMPLIANCE FRAMEWORK REVIEW (CONTINUED)

LC 4.0 Continual Improvement of Legislative Compliance

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
LC 4.1	Ongoing Improvement Program	A plan developed to guide improvements in legislative compliance practices and to support the legislative compliance framework.	No improvement plan currently in place.	Not applicable.	That an improvement plan developed from this report be prepared in support of the legislative compliance framework (to be developed).

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW

IC 1.0 Internal Control Environment

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
IC 1.1	Council Internal Controls Policy	To evidence the Council's commitment to Internal Controls and their importance to the organisation.	No policy for internal controls exists.	Not applicable.	That a policy be developed reflecting Council's commitment to risk based internal controls throughout the organisation.
IC 1.2	Code of Conduct for Elected Members and Staff	To provide Elected Members and staff with consistent guidelines for an acceptable standard of professional conduct in relation to internal controls.	Refer to LC 2.4	Refer to LC 2.4	Refer to LC 2.4
IC 1.3	Code of Conduct for Contractors and Volunteers.	To provide contractors and volunteers with consistent guidelines for an acceptable standard of conduct in relation to internal controls.	No Code of Conduct exists for contractors and volunteers.	The effectiveness was unable to be determined.	That an abridged Code of Conduct be developed which applies to contractors and volunteers and requires the reporting of any noted potential breaches of internal controls.

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW

IC 1.0 Internal Control Environment

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
IC 1.4	Communication of modifications	To ensure staff are notified of changes to internal controls and have access to current documented procedures.	Documented procedures were not available for the authorisation of procedures, retraction of superseded procedures, access to procedures and advising staff of new or changed procedures.	A number of instances were noted where staff were unaware of the existence of current procedures or did not have access to the procedures.	That a documented procedure be developed to advise staff of changes in policies and procedures and ensure the retraction of updated or revised policies or procedures. All current policies and procedures should be in one central location accessible to all relevant staff.
IC 1.5	Staff Training	To ensure staff have access to ongoing training in internal controls and attend appropriate training sessions.	Refer to LC 2.1	Refer to LC 2.1	Refer to LC 2.1
IC 1.6	Experienced Staff	To ensure all senior staff have an understanding of the inherent risks internal controls are addressing associated with, and relevant to, their role.	Refer to LC 2.2	Refer to LC 2.2	Refer to LC 2.2
IC 1.7	Social Media Policy 1/013	Provide guidelines for the use of social media by Elected Members and employees.	Adopted in 2011 and amended in 2012, the policy is considered appropriate though may require review to ensure it remains current.	The Policy is considered effective based on staff representations.	No further action.

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW

IC 1.0 Internal Control Environment

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
IC 1.8	Occupational Safety and Health Policy 1/016 Amended January 2006	This policy acknowledges that the safety and health of employees within the Town is the responsibility of Council and all employees.	The policy does not provide a risk based approach for employee safety and health. We note there is no requirement to maintain a register of accidents/incidents or the summary reporting of these to Council. Whilst the procedures and guidelines in relation to Duty of care are considered largely appropriate the definition of who they apply to and who is required to implement them is unclear. The policy does not require the routine testing and review of emergency evacuation procedures.	The effectiveness was not tested. A recent practice of recording accidents/ incidents in a register has commenced.	That the policy be reviewed and amended to: <ul style="list-style-type: none"> ○ Provide a risk based approach to Occupational Health and Safety. ○ Require the recording of any accident/incidents in a register and the annual reporting of accident/incidents numbers to the Audit Committee. ○ Provide additional clarity. ○ Require the routine testing and practice of emergency evacuation procedures at all facilities.
IC 1.9	Community Services Policy 8/001 Adopted November 2004	The policy and associated procedures are designed to provide guidance on circumstances under which Council will develop and operate community services.	The policy does not acknowledge the strategic guidance provided by the Strategic Community Plan and requires review.	The effectiveness has not been determined.	That the Community Services Policy be reviewed to acknowledge the guidance of the Strategic Community Plan.
IC 1.10	Complaints against Third Parties Policy 1/002 Amended January 2006	The policy seeks to guide officers when dealing with complaints against third parties.	The policy does not provide for the recording and tracking of complaints or actions to be taken when it is considered no action is required in relation to the complaint.	The effectiveness has not been determined as complaints are not tracked.	That a comprehensive complaints policy be developed to ensure all complaints are tracked, investigated and appropriately addressed. Where no action is taken in relation to a complaint the complainant should be notified accordingly.

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW

IC 1.0 Internal Control Environment

FRAMEWORK		PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
No.	COMPONENTS				
IC 1.11	Media Policy 1/004 Amended February 2006	The policy provides a framework for communication with the Media on behalf of Council.	The policy is considered appropriate.	The effectiveness has not been determined.	No further action
IC 1.12	Vandalism – Reward for Conviction Policy 1/008 Amended January 2006	Framework for payment of a reward to any person for information which may facilitate proceedings open to Council for prosecution of offenders or the recovery of expenses incurred from vandalism.	The policy is considered appropriate. Noted the policy was last reviewed in 2006.	The effectiveness has not been determined.	That the policy be reviewed to ensure it remains current.
IC 1.13	Legal Representation Policy 1/009 Amended January 2006	To protect interests of elected members and employees in the event of civil legal proceedings as a consequence of their official functions.	The policy is considered appropriate. Noted the policy was last reviewed in 2006.	The effectiveness has not been determined.	That the policy be reviewed to ensure its remains current.
IC 1.14	Rating Policy 2/004 Amended April 2006	To provide direction on collection procedures, concessions and exemptions in rating.	The policy is considered generally appropriate. The policy refers to assessment of charitable organisations, rate exemptions however only apply to charitable use of the land. Noted the policy was last reviewed in 2006. The policy specifies debt collection process for rates, different to those specified under Council Policy 2/005 –Debt Management.	The policy is considered effective with rates debtors being 0.3% of rates revenue.	That the policy be amended to require annual assessment of the charitable use of properties wishing to maintain an exemption from rates in accordance with Council Policy 2/013 _ Rates Exemption Policy (Non Rateable Land), and to provide clarity on the policy for the collection of rates debtors.

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW

IC 1.0 Internal Control Environment

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
IC 1.15	Debt Management Policy 2/005 Amended November 2014	Provide a framework for the efficient and effective collection of outstanding debts; and fulfil statutory requirements in relation to the recovery of rates, charges, fees and other debts.	The policy specifies debt collection process for rates, these are different to those specified under Council Policy 2/004 –Rating.	Whilst the level of trade receivables at 30 June 2014 improved on the previous year the level of receivables (14.7% of Operating Revenues) is considered high.	That Council Policy 2/004 – Rating be amended to ensure clarity on the policy for the collection of rates debtors. That procedures be implemented to ensure the implementation of the Policy and reduce the level of receivables.
IC 1.16	Procurement Policy 2/007 Amended January 2014	Ensure that Town of Port Hedland’s procurement of goods and services is compliant, ethical, and procurement is Town’s advantage.	The policy allows for the use of preferred supplier arrangements (PSA) and Standing Offer Arrangements (SOA) as well as the exemptions for sole supplier situations. The process for the authorisation and establishment of PSA and SOA is not provided within the policy. A definition of a sole supplier situation is also not provided. The policy does not provide for the application of Council Policy 2/016 Regional Price Preference Policy.	During testing of payments a number of purchases were noted which preceded the order date. Purchases were noted where the required number of quotations were not obtained.	That the policy be amended to provide clarity on the policy for the application of Regional Price Preferences and for the establishment, adjudication and approval of PSA’s and SOA’s. An appropriate definition of a sole supplier situation should be provided to help ensure this exemption is only applied in rare and exceptional circumstances. Appropriate procedures should be implemented to ensure compliance with the Policy at all times.
IC 1.17	Council Investments Policy 2/010 Amended June 2009	Provide a framework for the investment of Council funds that are excess to current requirements	The Policy does not conform to the requirements of <i>Local Government (Financial Management) Regulation 19C</i> which only allows for the investment of funds in authorised deposit taking institutions or WA Treasury Corporation.	Effectiveness was not assessed as the Policy does not conform to legislative requirements.	That the policy be amended to only allow for investment in authorised institutions as defined by the regulation.

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW

IC 1.0 Internal Control Environment

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
IC 1.18	Tender Policy 2/011 Amended August 2013	To ensure statutory compliance with all relevant legislation and Town of Port Hedland related policies and encompasses best practice when procuring goods and services through a Tender process.	Whilst the policy specifies pre and post tender closing actions and who should be on the evaluation panel for various levels of tenders, the policy does not require persons evaluating tenders to be independent of tenderers. WALGA has provided advice to the town that the 'Awarded Tenders – Period Contracts' are not provided for by the Act.	During testing of payments, instances of payments at rates above those submitted by the approved tenderer were noted.	That advice be obtained to ensure 'Awarded Tenders – Period Contracts' are compliant with the Act. That the policy be reviewed to provide a high level of governance when evaluating tenders and, in particular, for persons to be independent of tenderers.
IC 1.19	Rates Incentive Program Policy 2/012 Adopted January 2011	Provide an administrative framework for conducting the annual Rates Incentive Program.	This policy is considered appropriate.	The effectiveness has not been determined.	No further action.
IC 1.20	Rates Exemption (Non Rateable Land) Policy 2/013 Amended February 2012	Provide an administrative framework for assessing applications for properties to be classified as non-rateable land on the ground of being used for charitable purposes.	This policy is considered appropriate, to provide clarity the policy may be incorporated within Council Policy 2/004 - Rating when it is reviewed.	The effectiveness has not been determined.	That the policy be considered for incorporation into Council Policy 2/004 when it is reviewed.
IC 1.21	Rates Concession (Rateable Land) Policy 2/014 Amended February 2012	Framework for assessing applications requesting the waiving or granting concession from rates to 'not for profit' community based organisations occupying rateable land.	This policy is considered appropriate.	The effectiveness has not been determined.	That the Policy be rescinded.

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW

IC 1.0 Internal Control Environment

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
IC 1.22	Notice of Discontinuance (Rates and Debtors) Policy 2/015 Adopted May 2013	Outline how the Town of Port Hedland processes a request for a Notice of Discontinuance.	To provide clarity the policy should be incorporated within Council Policy 2/004 - Rating when it is reviewed.	The effectiveness has not been determined.	That the policy may be incorporated within Council Policy 2/004 when it is reviewed.
IC 1.23	Regional Price Preference Policy 2/016 Adopted August 2013	To maximise the use of competitive local business in the procurement of goods and services, supporting local business and industry and to encourage employment of local people thereby generating economic growth within the Town.	The Policy states it applies to the supplies of goods and services. Council Policy 2/007 Procurement Policy does not provide for the use of the regional pricing policy when evaluating quotations received.	Effectiveness is unable to be determined as the impact of the policy has not been measured.	That Council Policy 2/007 Procurement Policy be reviewed to provide clarity.
IC 1.24	Subsidies and Allowances Policy 3/003 Amended December 2014	Provide framework for applicable staff subsidies and allowances.	The policy relates to employees employed prior to 2 September 1995. Staff have identified this policy is no longer required.	The effectiveness has not been determined as the policy is no longer required.	That the policy be rescinded.
IC 1.25	Elected Member Entitlements Policy 4/008 Adopted June 2014	Provide for the payment of fees, allowances and reimbursements to Elected Members.	This policy is considered appropriate.	From staff representations the policy appears effective.	No further action.

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW

IC 1.0 Internal Control Environment

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
IC 1.26	Funding & Donations Policy 6/003 Amended September 2014	Provide structure to the provision of assistance to the community in relation to the delivery of events, celebration and community activities.	Generally the policy is appropriate however we noted amounts to community recipients are stated within the policy.	The effectiveness has not been determined.	It is more appropriate for amounts to be allocated within the annual budget rather than mandated in a policy.
IC 1.27	Recreation Reserve and Facilities – Seasonal Hire Policy 6/010 Amended April 2014	Provide the Town of Port Hedland with guidelines for usage of the Town’s recreation reserves and facilities by sporting groups and ensure appropriate management of the Town’s recreation reserves and facilities by local sporting groups.	The policy appears appropriate. Bonds are determined by a bond matrix which is not specified within the policy. The circumstances which a bond may be utilised to recover costs are not defined within the policy.	From staff representations the policy appears effective.	That the policy be amended to define the bond matrix, along with the circumstances under which a bond may be utilised to recover costs.
IC 1.28	Acquisition and Management of Artworks Policy 7/002 Adopted November 2004	To provide a framework for the development and expansion of the Town of Port Hedland Art Collection. To implement procedures for the acquisition of artworks. To provide a framework for the management of the Art collection.	The policy appears appropriate. We note the policy was adopted in 2004 and has not been reviewed.	From staff representations the policy appears effective.	That the policy be reviewed to ensure it remains current.

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW

IC 1.0 Internal Control Environment

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
IC 1.29	Internal Control Procedures	Documented operating and control procedures to help minimise the risk of fraud or error and ensure compliance with Council Policies.	Control procedures were not available for a number of standard procedures. Where documented procedures existed these were not centrally located to enable relevant staff to access the procedures. No procedure exists for the development, review and updating of documented procedures. In certain circumstances different versions of procedures were identified and in use.	A number of internal control weaknesses were identified during the review.	That a procedure for the development, review and updating of documented procedures be developed. That the latest version of all documented procedures be centrally located in an electronic format for access by authorised staff. That documented procedures be developed and reviewed based on a risk based prioritisation.

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW (CONTINUED)

IC 2.0 Monitoring and review

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
IC 2.1	Audit Committee	An Audit (Risk and Finance) Committee is required by the Local Government (Audit) Regulations 1996, and its composition and role is prescribed.	No routine internal audit reporting of appropriateness of internal controls is apparent.	The effectiveness is not able to be determined.	That the Audit (Risk and Finance) Committee meet at least once a year (more regularly if possible) to review any internal control weaknesses identified or reported by the ELT and the Auditors.
IC 2.2	Ordinary Council Meetings	The adoption of the Monthly Statement of Financial Activity and list of accounts as required by legislation.	The appropriate monitoring by Council.	The monitoring process appears effective with the Monthly Statement of Financial Activity being presented to Council.	No further action.
IC 2.3	Executive Leadership Team	Executive Leadership Team monitoring of performance against budgets.	Current ELT monitors performance against budgets. Considered appropriate.	This control appears effective with budget amendments being undertaken from time to time.	No further action.
IC 2.4	Monitoring	To ensure policies and other controls relating to internal controls are adhered to within the organisation and their effectiveness is monitored.	No routine monitoring of internal controls is currently documented.	Internal control weaknesses were noted during the review.	That a process for documented routine monitoring of financial and non-financial internal controls be established based on the risk the controls intend to address.
IC 2.5	Internal Controls Executive Leadership Team	A management group to maintain internal controls across the Town and monitor adherence to internal controls practices.	Internal control issues are raised within ELT meetings. No specific monitoring.	Internal control issues appear to be raised effectively within meetings. Internal control weaknesses were noted during the review and are detailed within a separate internal audit report prepared for the CEO.	That ELT continue to monitor internal control issues and record consideration of any breaches of controls in their minutes.

INTERNAL CONTROLS ENVIRONMENT AND FRAMEWORK REVIEW (CONTINUED)

IC 3.0 Continual Improvement

No.	FRAMEWORK COMPONENTS	PURPOSE/GOAL	APPROPRIATENESS	EFFECTIVENESS	IMPROVEMENTS/COMMENTS
IC 3.1	Ongoing Improvement Program	A program developed to plan and implement improvements in internal controls practices and to guide the process of implementation.	No documented program was available. Ad hoc improvements to currently being undertaken.	The effectiveness is not able to be determined.	That an improvement plan developed from this report be prepared in support of the internal controls framework (to be developed).

OPERATIONAL GUIDELINES

The following is an extract from the Department of Local Government and Communities Operational Guidelines (Audit in Local Government number 09 September 2013)

RISK MANAGEMENT

The Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

- *Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered.*
- *Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time.*
- *Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:*
 - *potential non-compliance with legislation, regulations and standards and local government's policies*
 - *important accounting judgements or estimates that prove to be wrong*
 - *litigation and claims*
 - *misconduct, fraud and theft*
 - *significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government.*
- *Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported.*
- *Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance.*
- *Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors.*
- *Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk.*
- *Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.*
- *Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment.*
- *Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.*

OPERATIONAL GUIDELINES (Continued)

LEGISLATIVE COMPLIANCE

“The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- (a) Monitoring compliance with legislation and regulations.*
- (b) Reviewing the annual Compliance Audit Return and reporting to Council the results of that review.*
- (c) Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary.*
- (d) Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints.*
- (e) Obtaining assurance that adverse trends are identified and review management’s plans to deal with these.*
- (f) Reviewing management disclosures in financial reports of the effect of significant compliance issues.*
- (g) Reviewing whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee.*
- (h) Considering the internal auditor’s role in assessing compliance and ethics risks in their plan.*
- (i) Monitoring the local government’s compliance frameworks dealing with relevant external legislation and regulatory requirements.*
- (j) Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.’*

INTERNAL CONTROLS

‘Internal controls are systems of policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations.

These systems not only relate to accounting and reporting but also include communication processes both internally and externally, staff management and error handling.’¹

Operational Guidelines prepared by the Department of Local Government and Communities (Audit in Local Government number 09 September 2013) provide the background to Internal Controls in the context of this review as follows:

‘Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

¹ Internal controls for not-for-profit organisations, CPA Australia, 2011, p 3.

OPERATIONAL GUIDELINES (Continued)

An effective and transparent internal control environment is built on the following key areas:

- (a) integrity and ethics.*
- (b) policies and delegated authority.*
- (c) levels of responsibilities and authorities.*
- (d) audit practices.*
- (e) information system access and security.*
- (f) management operating style.*
- (g) human resource management and practices*

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework will include:

- (a) delegation of authority.*
- (b) documented policies and procedures.*
- (c) trained and qualified employees.*
- (d) system controls.*
- (e) effective policy and process review.*
- (f) regular internal audits.*
- (g) documentation of risk identification and assessment.*
- (h) regular liaison with auditor and legal advisors.*

The following are examples of controls that are typically reviewed:

- (a) separation of roles and functions, processing and authorisation;*
- (b) control of approval of documents, letters and financial records;*
- (c) comparison of internal data with other or external sources of information;*
- (d) limit of direct physical access to assets and records;*
- (e) control of computer applications and information system standards;*
- (f) limit access to make changes in data files and systems;*
- (g) regular maintenance and review of financial control accounts and trial balances;*
- (h) comparison and analysis of financial results with budgeted amounts;*
- (i) the arithmetical accuracy and content of records;*
- (j) report, review and approval of financial payments and reconciliations;*
- (k) comparison of the result of physical cash and inventory counts with accounting records.'*