



## MINUTES

### CERTIFICATION OF CONFIRMATION OF AUDIT COMMITTEE MINUTES

17 NOVEMBER 2016

I, Cr Steve Wolff hereby certify that the minutes from the Audit Committee Meeting held on 17 November 2016 pages (1) to (59) were confirmed at a Committee meeting held on 9 March 2017.

A handwritten signature in black ink, appearing to read "S.K. Wolff", is written over a horizontal line.

**Signature**

Cr Steve Wolff  
**Person presiding at Meeting**

## AUDIT COMMITTEE

### MINUTES

17 November 2016

(REF: D2016/13282)

A meeting of the Audit Committee was held at the EMRC Administration Office, 1<sup>st</sup> Floor, 226 Great Eastern Highway, BELMONT WA 6104 on **Thursday 17 November 2016**. The meeting commenced at **5:30pm**.

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## 1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chairman opened the meeting at 5:30pm and welcomed Mr Cameron Palassis, Executive Director of Paxon Group.

## 2 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

### Councillor Attendance

Cr Steve Wolff ( <b>Chairman</b> )	EMRC Member	City of Belmont
Cr Bob Perks ( <b>Deputy Chairman</b> ) (from 5:31pm)	EMRC Member	Shire of Mundaring
Cr Paul Bridges	EMRC Member	Town of Bassendean
Cr Michelle Sutherland	EMRC Member	City of Bayswater
Cr Geoff Stallard	EMRC Member	Shire of Kalamunda

### Apologies

Cr David Färdig	EMRC Member	City of Swan
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### EMRC Officers

Mr Peter Schneider	Chief Executive Officer
Mr Hua Jer Liew	Director Corporate Services
Mr David Ameduri	Manager Financial Services
Mrs Annie Hughes-d'Aeth	Personal Assistant to Director Corporate Services (Minutes)

### Visitors

Mr Cameron Palassis	Executive Director, Paxon Group
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## 3 DISCLOSURE OF INTERESTS

Nil

## 4 ANNOUNCEMENTS BY THE CHAIRMAN OR PRESIDING MEMBER WITHOUT DISCUSSION

Nil

## 5 PETITIONS, DEPUTATIONS AND PRESENTATIONS

Nil



**6 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

**6.1 MINUTES OF AUDIT COMMITTEE MEETING HELD ON 8 SEPTEMBER 2016**

That the Minutes of the Audit Committee meeting held 8 September 2016, which have been distributed, be confirmed.

**AC RESOLUTION(S)**

MOVED CR BRIDGES

SECONDED CR STALLARD

THAT THE MINUTES OF THE AUDIT COMMITTEE HELD ON 8 SEPTEMBER 2016, WHICH HAVE BEEN DISTRIBUTED, BE CONFIRMED.

**CARRIED UNANIMOUSLY**

**7 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN**

Nil

**8 QUESTIONS BY MEMBERS WITHOUT NOTICE**

Nil

**9 ANNOUNCEMENT OF CONFIDENTIAL MATTERS FOR WHICH MEETINGS MAY BE CLOSED TO THE PUBLIC**

Nil

Cr Perks entered the meeting at 5:31pm.

**10 BUSINESS NOT DEALT WITH FROM A PREVIOUS MEETING**

Nil



## 11 REPORTS OF EMPLOYEES

### 11.1 INTERNAL AUDIT REPORT – 2016 PROGRAMME

REFERENCE: D2016/11528

#### PURPOSE OF REPORT

The purpose of this report is to present the Audit Committee (AC) with the internal audit report of the 2016 internal audit programme.

#### KEY ISSUES AND RECOMMENDATION(S)

- At the March 2016 round of meetings, Council endorsed a four year internal audit programme consisting of 15 auditable areas.
- This year represents the first year of the four year internal audit programme which commenced in June 2016 for the Contract Management, IT General Controls, Payroll and Human Resource Management & OH&S audit areas.
- The internal audit report covering each of the above areas is attached and has been assessed to be satisfactory to very good.

#### Recommendation(s)

That Council notes the 2016 internal audit reports forming attachments 1 to 4 to this report.

#### SOURCE OF REPORT

Chief Executive Officer

#### BACKGROUND

At the Audit Committee (AC) meeting held on 10 March 2016 (Ref: D2016/03760), the Committee endorsed a four year audit programme, which was subsequently adopted by Council at its meeting of 24 March 2016.

The four year programme consisted of:

Auditable Area	2016	2017	2018	2019
Contract Management	•		•	
IT General Controls	•			
Payroll	•			
Human Resource Management and OH&S	•		•	
Procurement		•		•
Corporate Governance		•		
Risk Management		•		
Waste Management		•		
Accounts Payable			•	
Grants Management			•	



*Item 11.1 continued*

<b>Auditable Area</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Accounts Receivable			•	
Records Management			•	
Investment Policies				•
Taxation				•
IT Vulnerability Assessment				•
Review of Financial Management Systems				•
Review of Risk Management, Internal Control and Legislative Compliance	•		•	

**REPORT**

The internal audit programme for this year commenced in June 2016 for the following audit areas:

- Contract Management;
- IT General Controls;
- Payroll; and
- Human Resource Management & OH&S.

The overall assessments of the quality of management controls for the above audit areas reflected positives with EMRC's processes. Minor risk gaps were identified and appropriate remedial actions are being implemented.

The reports for the 2016 internal audit programme are attached.

Arrangements have been made for a representative of the EMRC's internal auditors, Paxon Group, to be in attendance at the meeting to give an overview of their findings and address any queries the Audit Committee may have.

**STRATEGIC/POLICY IMPLICATIONS**

Key Result Area 4 – Good Governance

- 4.3 To provide responsible and accountable governance and management of the EMRC
- 4.4 To continue to improve financial and asset management practices

**FINANCIAL IMPLICATIONS**

The annual budget provides for the internal audit function.



*Item 11.1 continued*

## **SUSTAINABILITY IMPLICATIONS**

The internal audit function assists in ensuring the EMRC remains economically sustainable.

## **MEMBER COUNCIL IMPLICATIONS**

<b>Member Council</b>	<b>Implication Details</b>
Town of Bassendean	} Nil
City of Bayswater	
City of Belmont	
Shire of Kalamunda	
Shire of Mundaring	
City of Swan	

## **ATTACHMENT(S)**

1. Internal Audit Report: Contract Management (Ref: D2016/13339)
2. Internal Audit Report: IT General Controls (Ref: D2016/12231)
3. Internal Audit Report: Payroll (D2016/13337)
4. Internal Audit Report: Human Resource Management and OH&S (Ref: D2016/13489)

## **VOTING REQUIREMENT**

Simple Majority

## **RECOMMENDATION(S)**

That Council notes the 2016 internal audit reports forming attachments 1 to 4 to this report.

### **Discussion ensued**

The CEO provided a brief overview of the Audit program and the findings. Discussion ensued.

Mr Palassis advised that there were always inherent risks in any processes and that the EMRC's processes and controls were appropriate given the size of the organisation. There were only minor areas identified as opportunities for improvements such as formalising procedures and appropriate checks.

## **AC RECOMMENDATION(S)**

MOVED CR SUTHERLAND

SECONDED CR STALLARD

That Council notes the 2016 internal audit reports forming attachments 1 to 4 to this report.

**CARRIED UNANIMOUSLY**

Eastern Metropolitan Regional  
Council  
Internal Audit Report:  
Contract Management

**PAXON** GROUP

Private Client Services  
Audit and Assurance  
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## Executive Summary

	Excellent	Very Good	Satisfactory	Needs Improvement	Unsatisfactory
	☆☆☆☆☆	☆☆☆☆	☆☆☆	☆☆	☆
Process	Strengths		Weaknesses		Rating
	<ul style="list-style-type: none"> <li>Comprehensive Contract Register is maintained and reviewed regularly;</li> <li>Contract Register is reviewed and discussed through formalised regular management meetings with other business units;</li> <li>Compliance with Local Government Act and Regulations;</li> <li>Variations to contracts process adhered to; and</li> <li>Contract records maintained, including contractor insurances.</li> </ul>		<ul style="list-style-type: none"> <li>Manually maintained contract management system;</li> <li>Contract management system does not form part of the financial management system; and</li> <li>Procedural documents are incomplete.</li> </ul>		☆☆☆

## Overall Report Rating

Rating	Excellent	Very Good	Satisfactory	Needs Improvement	Unsatisfactory
			☆☆☆		

See Appendix A for a guide to the overall report rating scale.

# 1 Introduction

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## 1.1 Background

Eastern Metropolitan Regional Council (“EMRC”) currently has under contract various construction, maintenance and service delivery contracts.

The Contract management team does cross over into procurement due to the small nature of the business unit.

Contract management is required to be compliant with the Local Government Act and Regulations.

The previous internal audit of Payroll was conducted in 2012 by Stantons International.

## 1.2 Internal Audit Objective

The overall objective for this internal audit is to provide assurance that effective and efficient controls are in place in respect of Contract Management.

## 2 Scope

The following process and risk were covered in the internal audit:

Process	Key Risks
<b>Contract Management</b>	<ul style="list-style-type: none"> <li>• Compliance with Local Government Act and Regulations;</li> <li>• Contract approval and advice to tenderers;</li> <li>• Variations to contract;</li> <li>• Adherence to Terms and Conditions;</li> <li>• Insurance and health and safety compliance by contractor;</li> <li>• Contract Delivery; and</li> <li>• Contracts Register.</li> </ul>

The scope of the internal audit excluded the following:

- Procurement

The internal audit covered the period from 1 July 2015 to 30 June 2016.

## 3 Methodology

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Our methodology for the internal audit comprised:

- Conducting an initial meeting with management to obtain an understanding of processes and potential issues;
- Developing overview documentation of the processes including key controls by discussion with staff and review of the processes;
- Evaluating the adequacy of the controls to cover the identified risks and testing the compliance with the key controls;
- Researching the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes including compliance with key controls;
- Developing appropriate recommendations for improvement for discussion with management;
- Drafting a report of findings and recommendations and obtaining formal responses from management; and
- Finalising the report and issuing it to the Director Corporate Services for distribution to the Audit Committee and relevant management.

## 4 Inherent Limitations

---

Due to the inherent limitations in any internal control structure, it is possible that errors or irregularities may occur and not be detected. Further, the internal control structure, within which the control procedures that have been reviewed operate, has not been reviewed in its entirety and therefore no opinion is expressed as to the effectiveness of the greater internal control structure.

It should also be noted that our internal audit was not designed to detect all weaknesses in control procedures as it was not performed continuously throughout the period subject to review.

The internal audit conclusion and any opinion expressed in this report have been formed on the above basis.

## 5 Detailed Audit Findings

Each issue detailed in this Section is rated based on the following scale:

Rating	Definition
High	<ul style="list-style-type: none"> <li>Major contravention of policies, procedures or laws, unacceptable internal controls, high risk for fraud, waste or abuse, major opportunity to improve effectiveness and efficiency, major risk identified. Immediate corrective action is required. A short term fix may be needed prior to it being resolved properly.</li> </ul>
Medium	<ul style="list-style-type: none"> <li>Significant contravention of policies, procedures or laws, poor internal controls, significant opportunity to improve effectiveness and efficiency, significant risk identified. Corrective action is required. Need to be resolved as soon as resources can be made available, but within six months.</li> </ul>
Low	<ul style="list-style-type: none"> <li>Minor contravention of policies and procedures, weak internal controls, opportunity to improve effectiveness and efficiency, moderate risk identified. Corrective action is required. Need to be resolved within twelve months.</li> </ul>

Business Issue	Risk Rating	Implication	Recommendation	Agreed Management Action	Ownership/Timing
<p><b>1. Contract Management System</b></p> <ul style="list-style-type: none"> <li>EMRC currently monitors all of its tenders and contracts via a centrally located excel spreadsheet. This is reviewed and monitored regularly, by staff and management. Paxon has identified that there could be risk that data could be inadvertently changed, with the user not aware.</li> </ul>	Low	<ul style="list-style-type: none"> <li>That management could be relying on information that maybe incorrect.</li> <li>Contract expiry dates, values and other compliance data could be amended with no one aware, in which services could continue outside of the contracted agreement.</li> </ul>	<ul style="list-style-type: none"> <li>This is a minor issue but could be mitigated quite simply with a cross check with the original contract paperwork undertaken every three to six months. This check could be included within the contract register by inserting an additional column which states 'last reviewed with source documents'.</li> </ul>	<p>A modification to the documentation to include a column titled "Review Date – Officer – TRIM Document Link" will assist the tracking of the documentation. The CMS is actively managed by the Procurement team while read only access is available to other EMRC officers.</p> <p>This is will allow for this information to be available in the spreadsheet and track any changes in the spreadsheet.</p>	<p>Manager Administration &amp; Compliance</p> <ul style="list-style-type: none"> <li>Within 3 months</li> </ul>
<p><b>2. Contract management system and Finance</b></p> <ul style="list-style-type: none"> <li>Paxon has identified that there is currently no integrated accounting system of contract management and finance. At the moment it is done manually.</li> </ul> <p>To assist with adherence to the following:</p> <ol style="list-style-type: none"> <li>Centralised store or contract notes and information;</li> </ol>	Low	<ul style="list-style-type: none"> <li>That EMRC could be exposed to financial loss as the monitoring of contract is not linked directly to the financial terms of the awarded contract.</li> </ul>	<ul style="list-style-type: none"> <li>Paxon believes that current process that is undertaken by EMRC is satisfactory due to the small number of contracts that are awarded and their level of complexity.</li> </ul> <p>It is noted that EMRC have investigated an integrated Contracts Management system with SynergySoft</p>	<p>The EMRC will conduct an investigation into implementing an integrated Contract Management System once this is done a full evaluation will be completed in regards to the value for the organisation.</p>	<p>Manager Administration &amp; Compliance</p> <ul style="list-style-type: none"> <li>Within 12 months</li> </ul>



Business Issue	Risk Rating	Implication	Recommendation	Agreed Management Action	Ownership/Timing
<ul style="list-style-type: none"> <li>ii. Progress claims;</li> <li>iii. Milestones;</li> <li>iv. Budget monitoring; and</li> <li>v. Remaining contract value</li> </ul>			system.		
<p><b>3. Procedural Documents Incomplete</b></p> <ul style="list-style-type: none"> <li>• The EMRC has its standard conditions for general contracts and in cases of large construction projects, the EMRC utilises the Australian Standard AS4000 – ‘General Conditions of Contract’ for compliance with management of contracts. EMRC also have endorsed other procedural documents that do cross over from procurement and contract management, but at present there are no formalised contract management guidelines.</li> </ul>	<b>Medium</b>	<ul style="list-style-type: none"> <li>• Risk that compliance with contracts are not adhered to;</li> <li>• EMRC might not be receiving value for money; and</li> <li>• No internal process on managing contractual disputes.</li> </ul>	<ul style="list-style-type: none"> <li>• Paxon notes that there has been some preliminary works in undertaking a preparation of a formalised guide but it would be required to completed and formalised.</li> </ul>	<p>Complete a guideline on Contract Management with a EMRC BMS to be presented to the EMT for endorsement</p>	<p>Manager Administration &amp; Compliance</p> <ul style="list-style-type: none"> <li>• Within 12 months</li> </ul>

## Efficiencies and Other Observations

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Below is a summary of our other observations arising from the internal audit, which may assist you in improving the efficiency and effectiveness of your control environment. These observations are provided for your information and a formal response is not required.

Audit Area	Description
None	None

## Appendix A

Level	Rank	Stars	Financial Loss	Non-Financial Considerations
1	Unsatisfactory	☆	>\$1m	<ul style="list-style-type: none"> <li>Several medium rated observations or one or more high rated observations, significant risk for non-compliance with policies and regulations, serious violations of law, significant opportunities for improvement, substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile and third party actions.</li> </ul>
2	Needs Improvement	☆☆	>\$100k<\$1m	<ul style="list-style-type: none"> <li>Several medium rated observations and no high rated observations, control weak in one or more areas, non-compliance with policies and regulations, violation of law (not serious), substantial opportunities for improvement, substantiated, public embarrassment, high impact, high news profile and third party actions.</li> </ul>
3	Satisfactory	☆☆☆	>\$50k<\$100k	<ul style="list-style-type: none"> <li>Many low rated observations and/or few medium rated observations, several low rated violations of policy, minor violations of regulations, no violations of law, moderate opportunities for improvement, substantiated, public embarrassment, moderate impact and moderate news profile.</li> </ul>
4	Very Good	☆☆☆☆	>\$10k<\$50k	<ul style="list-style-type: none"> <li>Several low rated observations and/or one or two medium rated observations, minor contraventions of policies and procedures, no violations of law, minor opportunities for improvement, substantiated, low impact and low news profile.</li> </ul>
5	Excellent	☆☆☆☆☆ ☆	<\$10k	<ul style="list-style-type: none"> <li>Few low rated observations, no internal control weaknesses noted, good adherence to laws, regulations and policies, excellent control environment, unsubstantiated, low impact, low profile or no news item.</li> </ul>

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## Executive Summary

	Excellent	Very Good	Satisfactory	Needs Improvement	Unsatisfactory
	☆☆☆☆☆	☆☆☆☆	☆☆☆	☆☆	☆
Process	Strengths		Weaknesses		Rating
	<ul style="list-style-type: none"> <li>Comprehensive Risk Register that is reviewed annually;</li> <li>Documented backup and recovery procedures;</li> <li>Access controls procedure;</li> <li>Business Continuity Plan;</li> <li>Record Keeping Plan as per the State Records Act (2000); and</li> <li>Employee IT guidance controls.</li> </ul>		<ul style="list-style-type: none"> <li>Policy and guidelines requiring to be updated.</li> </ul>		☆☆☆☆

## Overall Report Rating

Rating	Excellent	Very Good	Satisfactory	Needs Improvement	Unsatisfactory
		☆☆☆☆			

See Appendix A for a guide to the overall report rating scale.

# 1 Introduction

---

## 1.1 Background

Eastern Metropolitan Regional Council (“EMRC”) utilises a diverse range of information system and networks serving its various functions for the recording, analysing and reporting information. It is important that systems, networks and physical servers in use have adequate security in place and that the system’s data and physical servers are kept confidential and private from unauthorised access.

The Information Service business unit within the Corporate Services division is responsible for information technology security.

The previous internal audit of IT General Controls was conducted in 2012 and an Information Technology Vulnerability Assessment was undertaken in August 2015 by Stantons International.

## 1.2 Internal Audit Objective

The overall objective for this internal audit is to provide assurance that effective and efficient controls are in place in respect of Information Technology.



## 2 Scope

The following process and risk were covered in the internal audit:

Process	Key Risks
IT General Controls	<ul style="list-style-type: none"> <li>• Availability of information systems;</li> <li>• Integrity of information;</li> <li>• Confidentiality of information; and</li> <li>• Ongoing use of legacy systems.</li> </ul>

The scope of the internal audit excluded the following:

- Metadata Assessment

The internal audit covered the period from 1 July 2015 to 30 June 2016.

## 3 Methodology

---

Our methodology for the internal audit comprised:

- Conducting an initial meeting with management to obtain an understanding of processes and potential issues;
- Developing overview documentation of the processes including key controls by discussion with staff and review of the processes;
- Evaluating the adequacy of the controls to cover the identified risks and testing the compliance with the key controls;
- Researching the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes including compliance with key controls;
- Developing appropriate recommendations for improvement for discussion with management;
- Drafting a report of findings and recommendations and obtaining formal responses from management; and
- Finalising the report and issuing it to the Director Corporate Services for distribution to the Audit Committee and relevant management.

## 4 Inherent Limitations

---

Due to the inherent limitations in any internal control structure, it is possible that errors or irregularities may occur and not be detected. Further, the internal control structure, within which the control procedures that have been reviewed operate, has not been reviewed in its entirety and therefore no opinion is expressed as to the effectiveness of the greater internal control structure.

It should also be noted that our internal audit was not designed to detect all weaknesses in control procedures as it was not performed continuously throughout the period subject to review.

The internal audit conclusion and any opinion expressed in this report have been formed on the above basis.

## 5 Detailed Audit Findings

Each issue detailed in this Section is rated based on the following scale:

Rating	Definition
High	<ul style="list-style-type: none"> <li>Major contravention of policies, procedures or laws, unacceptable internal controls, high risk for fraud, waste or abuse, major opportunity to improve effectiveness and efficiency, major risk identified. Immediate corrective action is required. A short term fix may be needed prior to it being resolved properly.</li> </ul>
Medium	<ul style="list-style-type: none"> <li>Significant contravention of policies, procedures or laws, poor internal controls, significant opportunity to improve effectiveness and efficiency, significant risk identified. Corrective action is required. Need to be resolved as soon as resources can be made available, but within six months.</li> </ul>
Low	<ul style="list-style-type: none"> <li>Minor contravention of policies and procedures, weak internal controls, opportunity to improve effectiveness and efficiency, moderate risk identified. Corrective action is required. Need to be resolved within twelve months.</li> </ul>

Business Issue	Risk Rating	Implication	Recommendation	Agreed Management Action	Ownership/Timing
<p><b>1. Policies and Guidelines</b></p> <ul style="list-style-type: none"> <li>• Paxon noted the following procedural &amp; guideline documents:               <ul style="list-style-type: none"> <li>i. Synergy Soft User Audits</li> <li>ii. Management Guideline – Electronic Mail Policy</li> <li>iii. Management Guideline –Data Security</li> <li>iv. Business Continuity Planning</li> </ul> </li> </ul> <p>Some of these have stated review time frames and owner history and some do not. There is a requirement for them to be uniformed and reviewed on a regular basis.</p>	<p>Low</p>	<ul style="list-style-type: none"> <li>• Policies and Guidelines could be outdated and not in line with the current operative environment;</li> <li>• Technology and IT threats are changing constantly and as such EMRC could be at risk to system threats due to outdated documented control practices; and</li> <li>• With EMRC changing the operative nature at Red Hill, updates to these policies and guidelines will be required to ensure Red Hill is covered by the same controls.</li> </ul>	<ul style="list-style-type: none"> <li>• Update these documents with the inclusion of a relevant review date, author and responsible manager.</li> </ul>	<p>Review current guidelines and update as necessary. Note that IT guidelines are intended to apply to all staff with computer accounts.</p>	<p>Manager Information Services / March 2017</p>

## 6 Efficiencies and Other Observations

---

Below is a summary of our other observations arising from the internal audit, which may assist you in improving the efficiency and effectiveness of your control environment. These observations are provided for your information and a formal response is not required.

Audit Area	Description
None	None

## Appendix A

Level	Rank	Stars	Financial Loss	Non-Financial Considerations
1	Unsatisfactory	☆	>\$1m	<ul style="list-style-type: none"> <li>Several medium rated observations or one or more high rated observations, significant risk for non-compliance with policies and regulations, serious violations of law, significant opportunities for improvement, substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile and third party actions.</li> </ul>
2	Needs Improvement	☆☆	>\$100k<\$1m	<ul style="list-style-type: none"> <li>Several medium rated observations and no high rated observations, control weak in one or more areas, non-compliance with policies and regulations, violation of law (not serious), substantial opportunities for improvement, substantiated, public embarrassment, high impact, high news profile and third party actions.</li> </ul>
3	Satisfactory	☆☆☆	>\$50k<\$100k	<ul style="list-style-type: none"> <li>Many low rated observations and/or few medium rated observations, several low rated violations of policy, minor violations of regulations, no violations of law, moderate opportunities for improvement, substantiated, public embarrassment, moderate impact and moderate news profile.</li> </ul>
4	Very Good	☆☆☆☆	>\$10k<\$50k	<ul style="list-style-type: none"> <li>Several low rated observations and/or one or two medium rated observations, minor contraventions of policies and procedures, no violations of law, minor opportunities for improvement, substantiated, low impact and low news profile.</li> </ul>
5	Excellent	☆☆☆☆☆ ☆	<\$10k	<ul style="list-style-type: none"> <li>Few low rated observations, no internal control weaknesses noted, good adherence to laws, regulations and policies, excellent control environment, unsubstantiated, low impact, low profile or no news item.</li> </ul>

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## Executive Summary

	Excellent	Very Good	Satisfactory	Needs Improvement	Unsatisfactory
	☆☆☆☆☆	☆☆☆☆	☆☆☆	☆☆	☆
Process	Strengths		Weaknesses		Rating
	<ul style="list-style-type: none"> <li>Comprehensive software system documentation exists;</li> <li>Personnel records and payroll records are kept separately;</li> <li>Proper segregation of duties exists between payroll processing and payment;</li> <li>Only authorised persons have access to the payroll system;</li> <li>Pay runs are independently checked and authorised prior to processing;</li> <li>Comprehensive checks are performed of each pay run both prior to and after the pay run was processed; and</li> <li>A culture of approval of payroll transactions exists.</li> </ul>		<ul style="list-style-type: none"> <li>Procedural document need to be reviewed and authorised regularly;</li> <li>Lack of procedural documentation;</li> <li>Verification of new employee financial details; and</li> <li>TRIM records are incomplete.</li> </ul>		☆☆☆

## Overall Report Rating

Rating	Excellent	Very Good	Satisfactory	Needs Improvement	Unsatisfactory
			☆☆☆		

See Appendix A for a guide to the overall report rating scale.

# 1 Introduction

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## 1.1 Background

At 30 June 2016, the Eastern Metropolitan Regional Council (“EMRC”) employed 100 full-time, part-time and casual workers across a number of different sites and sections.

Employee costs for the 2014-2015 financial year were \$8,433,189 which represents an increase of 7.7% from the \$7,827,857 incurred for the 2013-2014 financial year. The Statement of Comprehensive Income for the year ending 30 June 2017 (as adopted by an ordinary meeting of Council on 23 June 2016) forecasts salary expenses of \$8,515,484 for 2015-2016 and \$8,997,886 for 2016-2017. These forecasted salary expenses represent 25.12% (2015-2016) and 26.72% (2016-2017) respectively of total operating expenses from ordinary activities.

Competitive rates of pay (above Award rates) are offered to employees as well as superannuation benefits (up to 14.5%). Flexible working arrangements are offered to designated employees including a rostered day off scheme.

The Local Government Industry Award 2010, incorporating all amendments up to and including 23 December 2015 is applicable to the EMRC’s operations.

The previous internal audit of Payroll was conducted in 2012 by Stantons International.

## 1.2 Internal Audit Objective

The overall objective for this internal audit is to provide assurance that effective and efficient controls are in place in respect of Payroll.

## 2 Scope

The following process and risk were covered in the internal audit:

Process	Key Risks
Payroll	<ul style="list-style-type: none"> <li>• Lack of documented procedures;</li> <li>• Unauthorised and incorrect payments and deductions;</li> <li>• Payments to ghost or terminated employees;</li> <li>• Misappropriation of funds; and</li> <li>• Inaccurate processing and accounting records in respect of payroll.</li> </ul>

The scope of the internal audit excluded the following:

- Superannuation;
- PAYG; and
- Human Resource functions.

The internal audit covered the period from 1 July 2015 to 30 June 2016.

## 3 Methodology

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Our methodology for the internal audit comprised:

- Conducting an initial meeting with management to obtain an understanding of processes and potential issues;
- Developing overview documentation of the processes including key controls by discussion with staff and review of the processes;
- Evaluating the adequacy of the controls to cover the identified risks and testing the compliance with the key controls;
- Researching the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes including compliance with key controls;
- Developing appropriate recommendations for improvement for discussion with management;
- Drafting a report of findings and recommendations and obtaining formal responses from management; and
- Finalising the report and issuing it to the Director Corporate Services for distribution to the Audit Committee and relevant management.

## 4 Inherent Limitations

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Due to the inherent limitations in any internal control structure, it is possible that errors or irregularities may occur and not be detected. Further, the internal control structure, within which the control procedures that have been reviewed operate, has not been reviewed in its entirety and therefore no opinion is expressed as to the effectiveness of the greater internal control structure.

It should also be noted that our internal audit was not designed to detect all weaknesses in control procedures as it was not performed continuously throughout the period subject to review.

The internal audit conclusion and any opinion expressed in this report have been formed on the above basis.

## 5 Detailed Audit Findings

Each issue detailed in this Section is rated based on the following scale:

Rating	Definition
High	<ul style="list-style-type: none"> <li>Major contravention of policies, procedures or laws, unacceptable internal controls, high risk for fraud, waste or abuse, major opportunity to improve effectiveness and efficiency, major risk identified. Immediate corrective action is required. A short-term fix may be needed prior to it being resolved properly.</li> </ul>
Medium	<ul style="list-style-type: none"> <li>Significant contravention of policies, procedures or laws, poor internal controls, significant opportunity to improve effectiveness and efficiency, significant risk identified. Corrective action is required. Need to be resolved as soon as resources can be made available, but within six months.</li> </ul>
Low	<ul style="list-style-type: none"> <li>Minor contravention of policies and procedures, weak internal controls, opportunity to improve effectiveness and efficiency, moderate risk identified. Corrective action is required. Need to be resolved within twelve months.</li> </ul>



Business Issue	Risk Rating	Implication	Recommendation	Agreed Management Action	Ownership/Timing
<p><b>1. Procedural document is not authorised.</b></p> <ul style="list-style-type: none"> <li>The 'SynergySoft Payroll Procedures', as compiled by the Payroll/Accounts Officer does not indicate:               <ul style="list-style-type: none"> <li>Author;</li> <li>Date last reviewed;</li> <li>Next scheduled review; and</li> <li>Approval.</li> </ul> </li> </ul>	<p><b>Low</b></p>	<ul style="list-style-type: none"> <li>The 'SynergySoft Payroll Procedures' has not been authorised by operational management; and</li> <li>The 'SynergySoft Payroll Procedures' may not be updated regularly to reflect current practices in the EMRC. Consequently, following these Guidelines will result in compliance with the documented process but may cause operational errors.</li> </ul>	<ul style="list-style-type: none"> <li>The 'SynergySoft Payroll Procedures', as compiled by the Payroll/Accounts Officer should comply with the normal EMRC processes. This will involve authorisation by operational management.</li> </ul>	<ul style="list-style-type: none"> <li>The existing procedure manual will be updated to incorporate the recommendations as to disclosure of the author, date last reviewed, next scheduled review and approver; and</li> <li>The 'SynergySoft Payroll Procedures' will be reviewed as required or at least once annually and approved by the Director Corporate Services and/or Manager Financial Services.</li> </ul>	<ul style="list-style-type: none"> <li>Director Corporate Services and/or Manager Financial Services within 3 months.</li> </ul>
<p><b>2. Lack of procedural documentation.</b></p> <ul style="list-style-type: none"> <li>Paxon has identified that there is no Payroll procedural document that deals with the following aspects:               <ul style="list-style-type: none"> <li>Information provided by Human Resources to Payroll, including:                   <ul style="list-style-type: none"> <li>New staff;</li> <li>Terminated staff; and</li> <li>Higher duties.</li> </ul> </li> <li>Saving of Payroll work papers in TRIM; and</li> <li>Checks performed by Finance Team Leader and Manager Financial Services.</li> </ul> </li> </ul>	<p><b>Medium</b></p>	<ul style="list-style-type: none"> <li>Key operational knowledge may be lost in case of staff turnovers which may result in ineffective and inefficient application of resources; and</li> <li>Changes to staff pays may not be processed in a timely manner (for example a staff member could be terminated and may continue to receive payment with no check to Human Resources information).</li> </ul>	<ul style="list-style-type: none"> <li>A specific procedural document that records all Payroll activities outside the SynergySoft program should be compiled; and</li> <li>This guide should include a checklist stating information received from Human Resources.</li> </ul>	<ul style="list-style-type: none"> <li>The process on how the payroll working file is filed into TRIM will be compiled &amp; included in the payroll manual;</li> <li>A checklist will be written on how to check pays; and</li> <li>The revised procedure manual will incorporate a checklist of documentation to be received from HR (to be implemented).</li> </ul>	<ul style="list-style-type: none"> <li>Director Corporate Services and Manager Financial Services within 3 months.</li> </ul>

Business Issue	Risk Rating	Implication	Recommendation	Agreed Management Action	Ownership/Timing
<p><b>3. New employee financial details.</b></p> <ul style="list-style-type: none"> <li>Human Resources provides the Payroll/Accounts Officer with the following documents which disclose the new employee’s remuneration:               <ul style="list-style-type: none"> <li>“New Starter Checklist – Payroll Entry”; and</li> <li>Page in the “Offer of employment” which discloses the remuneration proposed to the new employee.</li> </ul> </li> <li>Up to April 2016, Human Resources did not provide the Payroll/Accounts Officer with the page in the “Offer of employment” which discloses the remuneration proposed to the new employee;</li> <li>The Payroll/Accounts Officer relied solely on the hourly rate disclosed on the document entitled: “New Starter Checklist - Payroll Entry” with no formalised confirmation of contract details entered with the employees; and</li> <li>Documents provided demonstrate a clear line of authority, but the section that is provided to Payroll does not demonstrate the employee’s financial details. The execution</li> </ul>	<p><b>Medium</b></p>	<ul style="list-style-type: none"> <li>A risk that information provided by Human Resources within the instructions to Payroll may be incorrect and has only been verified by one employee; and</li> <li>The Payroll/Accounts Officer will not identify any intentional or unintentional misstatements in the employee information recorded in the “New Starter Checklist – Payroll Entry”.</li> </ul>	<ul style="list-style-type: none"> <li>Human Resources should provide the Payroll/Accounts Officer with original source documentation against which to validate the employee information recorded in the “New Starter Checklist – Payroll Entry”; and</li> <li>It should be noted that Paxon reviewed the remuneration of 5 new staff appointments since April 2016 and found no errors.</li> </ul>	<ul style="list-style-type: none"> <li>The “New Starter Checklist – Payroll Entry” form is to be completed by the Workplace Advisor and authorised by the Manager HR detailing the new employee’s financial details; and</li> <li>The Payroll/Accounts Officer and either the Finance Team Leader or Manager Financial Services will check the remuneration disclosed on the “New Starter Checklist – Payroll Entry” against relevant pages in the:               <ul style="list-style-type: none"> <li>“Offer of employment”; and</li> <li>“Contract of Employment”.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Manager Financial Services - already implemented.</li> </ul>

Business Issue	Risk Rating	Implication	Recommendation	Agreed Management Action	Ownership/Timing
of the document is a copy of the last page of the contract where these details are not shown.					
<p><b>4. TRIM records are incomplete.</b></p> <ul style="list-style-type: none"> <li>Supporting documentation for pay runs back to 12 August 2015 has not been recorded in TRIM; and</li> <li>Supporting documentation includes the checking and authorisation of Payroll as performed by the Finance Team Leader and Manager Financial Services.</li> </ul>	Low	<ul style="list-style-type: none"> <li>No backup exists for this supporting documentation which discloses the checking and authorisation of Payroll as performed by the Finance Team Leader and Manager Financial Services. If these records were to be destroyed or misplaced there would be no audit trail of the checking and authorisation of each pay run.</li> </ul>	<ul style="list-style-type: none"> <li>The supporting documentation for pay runs should be recorded in TRIM as soon as possible.</li> </ul>	<ul style="list-style-type: none"> <li>All documents are stored in hard copy consistent with the Records Keeping Plan that has been approved by State Records. However, it is acknowledged that the supporting documents evidencing the authorisation will be recorded in TRIM after each fortnightly pay run.</li> </ul>	<ul style="list-style-type: none"> <li>Payroll/Accounts Officer – immediately.</li> </ul>

## 6 Efficiencies and Other Observations

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Below is a summary of our other observations arising from the internal audit, which may assist you in improving the efficiency and effectiveness of your control environment. These observations are provided for your information and a formal response is not required.

Audit Area	Description
None	None

## Appendix A

Level	Rank	Stars	Financial Loss	Non-Financial Considerations
1	Unsatisfactory	☆	>\$1m	<ul style="list-style-type: none"> <li>Several medium rated observations or one or more high rated observations, significant risk for non-compliance with policies and regulations, serious violations of law, significant opportunities for improvement, substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile and third party actions.</li> </ul>
2	Needs Improvement	☆☆	>\$100k<\$1m	<ul style="list-style-type: none"> <li>Several medium rated observations and no high rated observations, control weak in one or more areas, non-compliance with policies and regulations, violation of law (not serious), substantial opportunities for improvement, substantiated, public embarrassment, high impact, high news profile and third party actions.</li> </ul>
3	Satisfactory	☆☆☆	>\$50k<\$100k	<ul style="list-style-type: none"> <li>Many low rated observations and/or few medium rated observations, several low rated violations of policy, minor violations of regulations, no violations of law, moderate opportunities for improvement, substantiated, public embarrassment, moderate impact and moderate news profile.</li> </ul>
4	Very Good	☆☆☆☆	>\$10k<\$50k	<ul style="list-style-type: none"> <li>Several low rated observations and/or one or two medium rated observations, minor contraventions of policies and procedures, no violations of law, minor opportunities for improvement, substantiated, low impact and low news profile.</li> </ul>
5	Excellent	☆☆☆☆ ☆	<\$10k	<ul style="list-style-type: none"> <li>Few low rated observations, no internal control weaknesses noted, good adherence to laws, regulations and policies, excellent control environment, unsubstantiated, low impact, low profile or no news item.</li> </ul>

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## Executive Summary

Process	Excellent	Very Good	Satisfactory	Needs Improvement	Unsatisfactory
	☆☆☆☆☆	☆☆☆☆	☆☆☆	☆☆	☆
	Strengths		Weaknesses		Rating
<b>Human Resource Management</b>	<ul style="list-style-type: none"> <li>• A comprehensive set of policies, guidelines and templates exist to manage human resource activities;</li> <li>• A register of applicable legislative instruments is kept;</li> <li>• Guidelines disclose the titles of applicable legislative instruments;</li> <li>• A risk register is kept which identifies human resources management risks; and</li> <li>• Training needs for employees are assessed on an annual basis.</li> </ul>		<ul style="list-style-type: none"> <li>• Guidelines are not revised as scheduled; and</li> <li>• Independent records are not reconciled between business units.</li> </ul>		☆☆☆☆
<b>OS&amp;H</b>	<ul style="list-style-type: none"> <li>• A number of documents exist to manage the Occupational Safety and Health (OS&amp;H) environment as per the current legislative environment;</li> <li>• Roles and responsibilities are clearly defined, documented and communicated with respect to OS&amp;H;</li> <li>• Induction training is provided to new employees relevant to the specific needs of their position and to the duties they will perform;</li> <li>• The “EMRC – Safety Management Plan 2015/2016”:                             <ul style="list-style-type: none"> <li>• Comprehensively describes hazard identification and reporting;</li> <li>• Makes provision for the performance of both:                                     <ul style="list-style-type: none"> <li>• Systems Audits; and</li> <li>• Application Audits.</li> </ul> </li> <li>• Describes the operations of the Safety Advisory Committee; and</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>• No weaknesses were noted.</li> </ul>		☆☆☆☆

	Excellent	Very Good	Satisfactory	Needs Improvement	Unsatisfactory
	☆☆☆☆☆	☆☆☆☆	☆☆☆	☆☆	☆
Process	Strengths		Weaknesses		Rating
	<ul style="list-style-type: none"> <li>• Describes comprehensively the “Safety Responsibilities of Safety and Health Representatives”.</li> <li>• The “OSH Workplan for 2016” makes provision for the performance of quarterly inspections at sites;</li> <li>• The “Eastern Metropolitan Regional Council - Contractor Safety Handbook – Version 2 – May 2016” comprehensively describes OS&amp;H requirements for contractors; and</li> <li>• Guidelines exist which comprehensively describes the process for the:               <ul style="list-style-type: none"> <li>• Reporting of both incidents and near misses; and</li> <li>• Management of both incidents and near misses.</li> </ul> </li> </ul>				

### Overall Report Rating

Rating	Excellent	Very Good	Satisfactory	Needs Improvement	Unsatisfactory
		☆☆☆☆			

See Appendix A for a guide to the overall report rating scale.

# 1 Introduction

---

## 1.1 Background

At 30 June 2016 the Eastern Metropolitan Regional Council (“EMRC”) employed 100 full-time, part-time and casual workers across a number of different sites and sections.

The Human Resources Team (“HR Team”) work closely with the CEO and Executive Management Team to develop and provide an environment that motivates staff to perform at optimum levels. This team assists the organisation in achieving the EMRC’s vision:

“To be a responsive and innovative leader in assisting Perth’s Eastern Region to be a great place to live, work, play and do business”

The HR Team provide leadership and guidance in the development, implementation and equitable administration of HR policies, guidelines and procedures. The HR Team ensure a diverse workforce in a safe and discrimination free environment by maintaining compliance with employment laws, OS&H and other relevant legislation. The HR Team develop strategies to attract and retain qualified staff and focus on developing people to strive towards excellence, by enhancing their skills, knowledge and capabilities.

The previous internal audit of Human Resources Management was conducted in 2014 by Stantons International.

## 1.2 Internal Audit Objective

The overall objective for this internal audit is to provide assurance that effective and efficient controls are in place in respect of Human Resource Management and Occupational Safety and Health (“OS&H”).

## 2 Scope

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The following process and risk were covered in the internal audit:

Process	Key Risks
<b>Human Resource Management and OS&amp;H</b>	<ul style="list-style-type: none"><li>• Compliance with legislation;</li><li>• Lack of awareness;</li><li>• Not having appropriate policies in place;</li><li>• Security; and</li><li>• Completeness of information.</li></ul>

The internal audit covered the period from 1 July 2015 to 30 June 2016.

## 3 Methodology

---

Our methodology for the internal audit comprised:

- Conducting an initial meeting with management to obtain an understanding of processes and potential issues;
- Developing overview documentation of the processes including key controls by discussion with staff and review of the processes;
- Evaluating the adequacy of the controls to cover the identified risks and testing the compliance with the key controls;
- Researching the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes including compliance with key controls;
- Developing appropriate recommendations for improvement for discussion with management;
- Drafting a report of findings and recommendations and obtaining formal responses from management; and
- Finalising the report and issuing it to the Director Corporate Services for distribution to the Audit Committee and relevant management.

## 4 Inherent Limitations

---

Due to the inherent limitations in any internal control structure, it is possible that errors or irregularities may occur and not be detected. Further, the internal control structure, within which the control procedures that have been reviewed operate, has not been reviewed in its entirety and therefore no opinion is expressed as to the effectiveness of the greater internal control structure.

It should also be noted that our internal audit was not designed to detect all weaknesses in control procedures as it was not performed continuously throughout the period subject to review.

The internal audit conclusion and any opinion expressed in this report have been formed on the above basis.

## 5 Detailed Audit Findings

Each issue detailed in this Section is rated based on the following scale:

Rating	Definition
High	<ul style="list-style-type: none"> <li>Major contravention of policies, procedures or laws, unacceptable internal controls, high risk for fraud, waste or abuse, major opportunity to improve effectiveness and efficiency, major risk identified. Immediate corrective action is required. A short term fix may be needed prior to it being resolved properly.</li> </ul>
Medium	<ul style="list-style-type: none"> <li>Significant contravention of policies, procedures or laws, poor internal controls, significant opportunity to improve effectiveness and efficiency, significant risk identified. Corrective action is required. Need to be resolved as soon as resources can be made available, but within six months.</li> </ul>
Low	<ul style="list-style-type: none"> <li>Minor contravention of policies and procedures, weak internal controls, opportunity to improve effectiveness and efficiency, moderate risk identified. Corrective action is required. Need to be resolved within twelve months.</li> </ul>

Business Issue	Risk Rating	Implication	Recommendation	Agreed Management Action	Ownership/Timing
<b>Human Resource Management</b>					
<p><b>1. Management guidelines are not revised as scheduled.</b></p> <ul style="list-style-type: none"> <li>Two 'Management Guidelines', last reviewed in 2012 and scheduled for review in 2014 were not reviewed as indicated. These two 'Management Guidelines' are: <ul style="list-style-type: none"> <li>Managing Employee Termination; and</li> <li>Overtime and Additional Hours.</li> </ul> </li> </ul>	Low	<ul style="list-style-type: none"> <li>These two 'Management Guidelines' may not reflect current practices in the EMRC. Consequently, following these Guidelines will result in compliance with the documented process but may cause operational errors.</li> </ul>	<ul style="list-style-type: none"> <li>The two 'Management Guidelines' should both be reviewed and appropriately updated.</li> </ul>	<ul style="list-style-type: none"> <li>The two Management Guidelines will be reviewed in the next 12 months, and updated where relevant.</li> </ul>	<ul style="list-style-type: none"> <li>Manager Human Resources.</li> </ul>
<p><b>2. Independent records are not reconciled between business units.</b></p> <ul style="list-style-type: none"> <li>The Payroll/Accounts Officer does not agree total employee numbers, as per its records, with total employee numbers as per the records of Human Resources; and</li> <li>The Payroll/ Accounts Officer rely on information specifically provided to her by the Workplace Advisor as to new and terminated employees.</li> </ul>	Low	<ul style="list-style-type: none"> <li>The Workplace Advisor acting independently or in unison with someone else, may: <ul style="list-style-type: none"> <li>Create phantom employees; or</li> <li>Not inform the Payroll/Accounts Officer of terminated employees.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>On a regular basis the two business units should do a reconciliation of number employed via payroll and via HR. This could be undertaken via a time sheet report via SynergySoft.</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly reconciliation will be undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>Payroll Officer / Workplace Advisor.</li> </ul>



## 6 Efficiencies and Other Observations

Below is a summary of our other observations arising from the internal audit, which may assist you in improving the efficiency and effectiveness of your control environment. These observations are provided for your information and a formal response is not required.

Audit Area	Description
OS&H	<p>In reviewing the internal plan, guidelines that are produced by OS&amp;H, Paxon observed some instances where grammatical and small alterations are required for these documents to be compliant:</p> <p><b>Safety Management Plan</b></p> <ul style="list-style-type: none"> <li>• The “EMRC – Safety Management Plan 2015/2016” (“Plan”) discloses:               <ul style="list-style-type: none"> <li>• Target dates for implementation of its main elements; and</li> <li>• Both historical and targeted (future) figures for performance measures.</li> </ul> </li> </ul> <p>As such, it contains data driven data. The plan further states that its next review is scheduled for March 2017, or as required. The EMRC should consider updating the Plan on an annual basis to ensure that date driven data in the Plan remain current.</p> <p><b>Staff Handbook</b></p> <ul style="list-style-type: none"> <li>• The Staff Handbook was last reviewed in May 2012. The EMRC should consider reviewing the Staff Handbook to ensure it:               <ul style="list-style-type: none"> <li>• Complies with changes in legislation since its last review; and</li> <li>• Reflects current work practices within EMRC.</li> </ul> </li> </ul> <p><b>Staff Handbook and Contractor Safety Handbook</b></p> <ul style="list-style-type: none"> <li>• Paxon has noted that these documents do not contain an administrative section which discloses particulars of its review and approval. The EMRC should consider adding an administrative section to these documents as included in other EMRC process documents.</li> </ul> <p><b>Synchronising documents</b></p> <ul style="list-style-type: none"> <li>• Paxon has noted differences between the activities listed in:               <ul style="list-style-type: none"> <li>• The “OSH Workplan for 2016” (first half of the 2016 calendar year); and</li> <li>• The “Plan Implementation” section in the Plan.</li> </ul> </li> </ul> <p>The EMRC should consider synchronising these documents.</p> <p><b>Technical references</b></p> <ul style="list-style-type: none"> <li>• Paxon has identified the following items:               <ul style="list-style-type: none"> <li>• The “EMRC – Staff Handbook” refers to the “Occupational Health and Safety Act” and not to the “Occupational Safety and Health Act 1984”; and</li> </ul> </li> </ul>

Audit Area	Description
<p><b>OS&amp;H</b> <b>(continued)</b></p>	<ul style="list-style-type: none"> <li>The “EMRC – Occupational Safety &amp; Health Guideline – Smoking in the Workplace” refers to the Tobacco Control Act 2006” and not to the “Tobacco Products Control Act 2006”.</li> </ul> <p>EMRC should consider examining all process documents to ensure that references to legislative instruments are technically correct.</p>
<p><b>Human Resource Management</b></p>	<p><b>Workers’ Compensation Claims</b></p> <ul style="list-style-type: none"> <li>Paxon has noted that at present, Workers Compensation claims are not checked by the HR Manager prior to submission to LGIS. The HR Manager should examine such claims prior to its submission to LGIS.</li> </ul>

## Appendix A

Level	Rank	Stars	Financial Loss	Non-Financial Considerations
1	Unsatisfactory	☆	>\$1m	<ul style="list-style-type: none"> <li>Several medium rated observations or one or more high rated observations, significant risk for non-compliance with policies and regulations, serious violations of law, significant opportunities for improvement, substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile and third party actions.</li> </ul>
2	Needs Improvement	☆☆	>\$100k<\$1m	<ul style="list-style-type: none"> <li>Several medium rated observations and no high rated observations, control weak in one or more areas, non-compliance with policies and regulations, violation of law (not serious), substantial opportunities for improvement, substantiated, public embarrassment, high impact, high news profile and third party actions.</li> </ul>
3	Satisfactory	☆☆☆	>\$50k<\$100k	<ul style="list-style-type: none"> <li>Many low rated observations and/or few medium rated observations, several low rated violations of policy, minor violations of regulations, no violations of law, moderate opportunities for improvement, substantiated, public embarrassment, moderate impact and moderate news profile.</li> </ul>
4	Very Good	☆☆☆☆	>\$10k<\$50k	<ul style="list-style-type: none"> <li>Several low rated observations and/or one or two medium rated observations, minor contraventions of policies and procedures, no violations of law, minor opportunities for improvement, substantiated, low impact and low news profile.</li> </ul>
5	Excellent	☆☆☆☆☆ ☆	<\$10k	<ul style="list-style-type: none"> <li>Few low rated observations, no internal control weaknesses noted, good adherence to laws, regulations and policies, excellent control environment, unsubstantiated, low impact, low profile or no news item.</li> </ul>

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## 12 REPORTS OF DELEGATES

Nil

## 13 NEW BUSINESS OF AN URGENT NATURE APPROVED BY THE CHAIRMAN OR PRESIDING MEMBER OR BY DECISION OF MEETING

Nil

## 14 CONFIDENTIAL MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

Nil

## 15 FUTURE MEETINGS OF THE AUDIT COMMITTEE

Meetings of the Audit Committee are covered under the Audit Committee Terms of Reference as follows.

### **“2.3 Meetings**

*The Committee meet as required at the discretion of the Chairman of the Committee at least three (3) times per year to coincide with approval of strategic and annual plans, the annual budget and the auditor’s report on the annual financial report.*

*Additional meetings shall be convened at the discretion of the Chairman or at the written request of any member of the Committee or external auditor.”*

### **Future Meetings 2017**

Thursday	2	February (if required)	at	EMRC Administration Office
Thursday	9	March	at	EMRC Administration Office
Thursday	6	April (if required)	at	EMRC Administration Office
Thursday	4	May (if required)	at	EMRC Administration Office
Thursday	8	June	at	EMRC Administration Office
Thursday	6	July (if required)	at	EMRC Administration Office
Thursday	10	August (if required)	at	EMRC Administration Office
Thursday	7	September	at	EMRC Administration Office
Thursday	5	October (if required)	at	EMRC Administration Office
Thursday	16	November (if required)	at	EMRC Administration Office

## 16 DECLARATION OF CLOSURE OF MEETING

There being no further business the meeting was closed at 6:05pm.