



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2016-17

MR BRENDAN SMYTH MLA (CHAIR), MR JAYSON HINDER MLA (DEPUTY CHAIR), MS JOY BURCH MLA, MR STEVE DOSZPOT MLA

**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Brendan Smyth on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 5

In relation to: The transition to Transport Canberra and City Services.

- How much did the KPMG and ED consultancy cost?
- Please provide any documents that are available?
- What advice was taken on board and what advice was 'ignored'?



Meegan Fitzharris : The answer to the Member's question is as follows:-

The total cost of the ED. contract was \$51,788 including GST.

The total cost of the KPMG contract was \$295,767 including GST. The method of procurement was an approach to market using select tender.

With regard to what elements of the report were accepted, and what elements were not, KPMG provided a report in February 2016 that served as their consolidated advice for the Transition Team to consider and submit to Government.

This advice was developed in collaboration with the Transition Team and was prepared specifically for the establishment of Transport Canberra as a standalone agency. The change of the new Directorate to be Transport Canberra and City Services meant that areas of KPMG's advice needed to be considered in more general terms.

The KPMG reports are Cabinet-in-Confidence.

KPMG's advice served as a strong foundation and input to decision making regarding Transport Canberra and City Services, specifically informing:

- Draft vision and principles;
- Strategic planning for transport services, including strategic budgetary arrangements;
- Organisational Structure;
- Organisational Governance – internal and external;
- Approach to Customer Service and Experience; and
- Transition Planning.

Approved for circulation to the Select Committee on Estimates 2016-17

Signature:



Date:

1/7/2016

By the Minister for Transport and Municipal Services, Meegan Fitzharris



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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Brendan Smyth on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 15

In relation to: Libraries

Can you please provide the committee with a breakdown of the Libraries FTE and any changes.

Meegan Fitzharris : The answer to the Member's question is as follows:-

There has been no change to the budgeted FTEs for Libraries ACT from 2015-16 to 2016-17 year.
The total FTEs are 96 for both years.

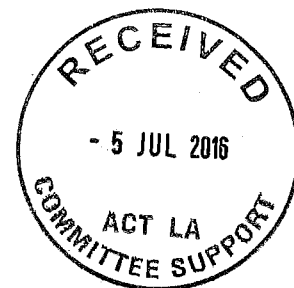
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4/7/2016

By the Minister for Transport and Municipal Services, Meegan Fitzharris





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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Brendan Smyth on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 15

In relation to: Depreciation for library services - \$2.9million.
What is the difference and how are they applied?

Meegan Fitzharris : The answer to the Member's question is as follows:-

Budget Statement "H" page 22 shows the discontinued outputs of TAMS.

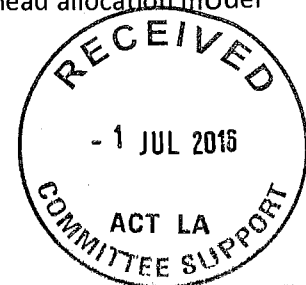
Footnote 1 to table 17 Output 1.1 Information Services, the estimated outcome for depreciation in 2015-16 is noted as \$3.6m.

Budget Statement "H" page 16 shows the budget estimates for the outputs of TCCS.

Footnote 1 to table 6 Output 2.2 Library Services, the budget for depreciation in 2016-17 is noted as \$2.9m.

The difference is a decrease of \$0.7m, due to:

- The RFID Self check-in software purchased in 2011 has a useful life of 5 years and is therefore fully depreciated by June 2016. This is contributing \$0.27m to the \$0.7m difference.
- The remaining \$0.43m reduction is due a change in the overhead allocation model to reflect the new output structure of TCCS.



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ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS

Asked by Brendan Smyth on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 15

In relation to: Basic Procurement

What is the annual spend of procurement under \$25 000?

Meegan Fitzharris : The answer to the Member's question is as follows:—

The annual spend on procurements under \$25,000 is not available within the existing whole of government reporting systems.

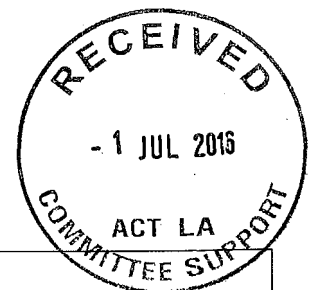
A robust estimation of procurements under \$25,000 has been undertaken using supplier payment data for the 2014-15 financial year.

In the 2014-15 financial year supplier expenses of \$152.258m were reported in the Annual Financial Statements, of this \$14.658m is estimated to have arisen from procurements under \$25,000.

This equates to 9.6% of non capital procurements.

All capital procurements are approved by Shared Services Procurement Solutions.

The Government is set to introduce a more automated system of supplier payments (November 2016) which will capture the procurement method applicable to each purchase.



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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Alistair Coe Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 15

In relation to: Auditing of Basic Procurement

What procedures are in place to audit the expenditure in the less than \$25 000 category?

Meegan Fitzharris: The answer to the Member's question is as follows:-

Refer to response on Controls for Basic Procurement - QTON E16-147.

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Date:

5/7/2016

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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Steve Doszpot on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript Monday 27 June 2016 page 17

In relation to: Procurement

How many audits or reviews, internal or external, have been held, undertaken into Procurement at TAMS in the last 10 years?

What were the findings and have the recommendations been implemented?

Meegan Fitzharris : The answer to the Member's question is as follows:-

There were five audits that related to procurement in the last 10 years.

Attachment A lists the findings, recommendations. All recommendations have been implemented.

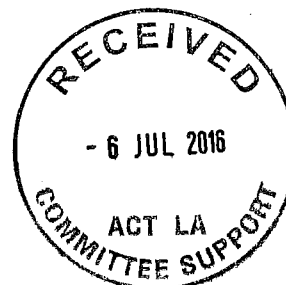
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5/7/2016

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Internal and External Audit Reports 2006-2016 Agreed Recommendations and Implementation status

Internal Audits

2006: Review of Urban Open Space Procurement Processes

Findings: The audit identified some weaknesses in the application of the principles outlined in the ACT Government Procurement Guidelines. Some of these weaknesses are due to the amalgamation of Canberra Urban Parks and Places and Cityscape. While staff refer to the Government Procurement Act 2001 (the Act) and guidelines, they do not have any procedural documentation that would assist them in allocating work across a panel of providers. The audit also identified weaknesses in contract management processes that need to be addressed.

The conclusions drawn during the course of the Audit were:

- Urban Open Spaces uses the Government Procurement Act 2001, the Government Procurement Guidelines, DUS CEFI's and the Financial Guidelines for Purchasing for their procurement policy and procedures.
- Urban Open Spaces does not have its own tailored policies and procedures for procurement of goods, services and works under \$20,000. There is limited departmental procedural documentation for procurement.
- All the principles of the Act have not been applied in the process of extending a contract beyond its maximum term. Two contract extensions have been undertaken without sufficient justification.
- Allocation of work across a panel of contractors/service providers is done in an ad hoc manner.
- Reports are not provided to management regarding the allocation of work off panels.
- The Section does not maintain an up-to-date contracts register. Information about contracts was difficult to gather and there was no documentation present that listed information about Cityscape contracts.
- A contract management system was used by Urban Open Spaces to maintain information relating to contracts managed by Parks & Places. The system had not been updated with information about contracts managed by CityScape since the amalgamation of the two sections.

Audit recommendations	Status
Urban Open Spaces develop policies and procedures specifically for procurement and contract management activities. These should include procedural documentation on the use and allocation of work from panels, and other works under \$20,000. Staff should be provided with training to increase	Completed

their level of procurement awareness.	
Prior to extending contracts past their maximum term, a comparative analysis of the market should be undertaken by Urban Open Spaces to ensure the best outcome is achieved for the Department.	Completed
Prior to the completion of the current contracts for horticultural and maintenance services contracts, Urban Open Spaces should undertake comparative analysis of options regarding the provision of these services to identify the best option for the Department.	Completed
Regular Reports be provided to management on the allocation of additional work from panels and for services under \$5,000.	Completed
In line with Recommendation 1, policies and procedures be developed regarding the allocation of additional work to panel providers.	Completed
Urban Open Spaces develop and maintain a contracts register that includes information relating to all contracts managed by Parks & Places and which provides information to management and staff about contractual arrangements in place.	Completed

2008: Parks, Conservation and Lands Procurement

Findings: Based on discussions with PCL and Procurement Solutions staff, and an assessment of procurement documentation against relevant legislation, regulations and better practice, it appears that the tender process of the hire of plant, equipment and operators for tree management purposes was conducted in accordance with ACT Government procurement requirements.

Audit recommendations

Status

Nil – No issues were identified during the review.

N/A

2008: TAMS Effectiveness of Purchasing Arrangements

Findings: The review determined that:

- There is limited departmental procedural documentation for procurement.
- TAMS do not have their own tailored policies and procedures for procurement of goods, services and works under \$20,000.
- TAMS and related business areas utilise the *Government Procurement Act 2001* and the Government Procurement Guidelines for their procurement guidance.
- Limited procurement training has been provided for delegates and staff.

Audit recommendations

Status

TAMs develop policies and procedures specifically for procurement and contract management activities. These should include procedural documentation on the use and allocation of work from panels, and other works under \$20,000.

Completed

Provide targeted training as appropriate for staff involved in procurement to ensure they understand legislative requirements and are aware of procurement support & information sources.

Completed

Develop and distribute to all business areas a comprehensive list of current panel arrangements including details of the goods and/or services provided.

Completed

Review the current Departmental procurement requirements and identify those business areas that have similar types of procurement and where the establishment of a contractual and/or panel arrangement maybe beneficial.

Completed

Ensure departmental procurement guidelines detail specific requirements in relation to panel and contractual arrangements.	Completed
Business units implement processes to identify where total purchases over a twelve month period are likely to be in excess of \$20,000 so an assessment of the benefit on establishing a contractual arrangement can be made.	Completed
Ensure procedural guidelines specify the actual requirement in relation to obtaining quotes within the Department.	Completed

2009: TAMS Single-Select procurement

Findings: The following control framework issues were identified:

- Procurement requirements are vastly different across TAMS due to the variety of activities and operations Business Units are responsible for, which would make strategic coordination and review of procurement relatively complex. It appears the current management of procurement at a Business Unit level is the most efficient given the level of resources available and level of procurement activity across TAMS, however there may be scope to improve some processes and monitoring.
- Risks associated with the single select procurements have been documented, however associated risk management strategies have not been formally identified in all procurements reviewed.
- In general, the use of single select procurement is an appropriate method to ensure services and operations are delivered where Business Units can demonstrate appropriate reasoning for using single select.
- Based on the sample of procurements reviewed, Business Units appear to have sound reasoning for seeking approval for using single select as a procurement method in the majority of cases.
- The majority of single select procurements could be supported by Chief Executive Approval in writing as required by procurement regulations.
- TAMS may be non-compliant with the legislative requirement to ensure that all contracts with a value of \$20,000 or greater are publicly available on the Government Contracts Register.

Audit recommendations	Status
TAMS should develop a process to ensure all contracts that should be accessible by the public are made available on the Government Contracts Register. The most practical approach may include a periodic reminder from Strategic Coordination and Continuous Improvement to all Networks and Business Units to review the Government Contracts Register and provide updates as required for any contracts that are missing.	Completed

2013: Depot Financial Operations

Findings: This audit assessed the key governance processes, policies and procedures supporting key financial processes for Parks and City Services (PACS) Depots.

Overall there were five areas of high risk and two areas of medium risk noted in our audit of PACS Depot Financial Operations. The following key points are emphasised from our review:

- Request for Payment forms are the key mechanism used by PACS to evidence delegate signoff to approve payments against an invoice. Currently there is no consistent retention period applied to these forms for PACS. The typical retention period for these forms is one year which is not consistent with audit's understanding of the requirements under the Territory Records Act 2002.
- Audit noted one transaction where there was a failure to maintain records supporting the provision of three (3) quotes in accordance with the Government Procurement Regulation and ACT Government Purchasing Guide. Two quotes were evidenced but a third was not adequately recorded.
- During testing of expenditures for National Parks and Catchments for the 2012-13 financial year, one expenditure item relating to, Teacher's Wages Birrigai, for \$201,469 (paid under a Memorandum of Understanding (MOU) between TAMS and the ACT Department of Education), was approved by the General Manager National Parks and Catchment (Delegation Authority up to \$100,000) but should have been approved by the Director Parks and Conservation.
- It was noted that there were over 45 vendors highlighted during our review that had transactions over \$25,000 in aggregate for the period 1 July 2012 to 30 June 2013. These represented approximately 12 different types of services that are provided to TAMS. The Operations Support Group within PACS is now investigating these expenditures to assess whether a contract or panel is required, or whether this can be provided by an existing contract or panel arrangement.
- Given the small size of the finance teams at both Tidbinbilla and Namadgi visitor centres it is not always possible to implement segregation between the daily balancing, recording and banking processes. Further there was only typically weekly banking of receipts for these sites resulting in large cash balancing being held on site for extended periods at Tidbinbilla during busier periods.
- Audit identified that Permits and Licences were typically issued at the same time the invoice was issued and not on payment of the invoice. This resulted in instances where a licence was issued and the amount paid for that licence was not received for several months after its issue.

Audit recommendations	Status
Audit recommends that TAMS review the recordkeeping requirements in relation to Request for Payment forms and invoices to ensure that these are maintained in accordance with the Territory Records Act 2002. In particular alignment against Territory Records	Completed

<p>(Records Disposal Schedule – Financial Management Records) Approval 2011 (Entry No. 005.002.002) and under the Territory Records (Records Disposal Schedule – Source Records) Approval 2011 (No 1).</p> <p>Overall a consistent approach should be adopted for the storage of both Request for Payment forms and supporting invoices across all of PACS.</p> <p>We have noted that the risks noted above are increased due to there not being automated approvals in the PACS Invoice Payment and Purchase Order System to support a more secure method of authorisation.</p> <p>Consideration should be given in the longer term to implementation of automated approvals through the in-house purchasing system or via Oracle. Audit understands that TAMS does not directly guide the implementation and use of Oracle.</p>	
<p>Audit recommends that given purchases, between \$25,000 to \$200,000, have been moved from Shared Services Procurement to Directorates from the 1st July 2013, TAMS needs to ensure that appropriate evidence is maintained to support the requirements under the Government Procurement Regulation and the Purchasing Guide for purchases in this range.</p> <p>In particular adequate document evidence of the 3 quotes should be maintained with the supporting invoice.</p>	Completed
<p>Audit recommends that National Parks and Catchment review all payments made under MOUs with other ACT Government Directorates and ensure these items have been approved by the appropriate delegate.</p> <p>TAMS should review the existing Register of Delegations and ensure that additional guidance is provided to support the application of the delegations across TAMS in particular for transactions made under MOU's with other ACT directorates.</p>	Completed

<p>Audit recommends that Operations Support Group, Parks and City Services (PACS) complete its:</p> <ul style="list-style-type: none"> • Review of expenditures across all of PACS and whether future purchases could be better supported by a panel or contract for particular services as identified; • Finalisation and implementation of a central contract register for all of PACS which can be accessed and referenced by all areas of PACS; <p>and</p> <ul style="list-style-type: none"> • Review that all contracts are up to date across all areas of PACS. <p>All areas of PACS should contribute to this review and ensure that contracts are up to date where required. A central contract register should be updated for the whole of TAMS.</p>	<p>Completed</p>
<p>Audit recommends that the following be implemented with respect to cash receipting and banking arrangements for Tidbinbilla visitor centre and Namadgi visitor centre</p> <ul style="list-style-type: none"> - More frequent banking during busy periods so large cash amounts are not held on site for long periods; - Reconciliations monthly by PACS of the amount banked with the amount recorded in the Oracle General Ledger; - Consideration of engaging a security firm during busy periods to provide increase security over banking and enforcement of segregation of duties over cash handling; and - Development of cash handling procedures, which can be based on those developed by Canberra Connect or those being developed by the Arboretum. 	<p>Completed</p>
<p>Audit recommends that Oracle general ledger extracts are provide to Visitor User Services to facilitate reconciliation between the Permits and Licensing management system and Oracle to ensure that all cash receipts are received on a timely basis for permits and licences issued. This reconciliation should occur at least monthly. Further, consideration should be given to receiving</p>	<p>Completed</p>

payments from the public in advance of the permit or licence being issued by TAMS.	
Audit recommends that a coordinated stock-take of existing portable and attractive asset items is performed across all depots to ensure that the register is brought up to date for purchases incorrectly left off the portable and attractive asset register previously.	Completed

External Audits	
Recommendations	Status
Nil	N/A



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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Brendan Smyth on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 19

In relation to: Basic Procurement

What types of systems/controls are in place for basic procurement/expenditure?



Meegan Fitzharris : The answer to the Member's question is as follows:-

Financial delegates across the Directorate with the authority to approve expenditure are responsible for ensuring that appropriate procurement processes are followed for all procurement activities. Basic procurement relates to purchases under \$25,000.

TAMS compliance process required Directors of each business unit to identify that they maintained Small and Attractive Registers within their business areas as well as stating their knowledge and use of this framework for procurement.

TAMS also provides staff with access to a Contract Management Web Site that provides advice to all TAMS staff for Contract Management and Procurements. This website includes a Contract Management Framework and Database which includes a step by step guide on the process page for Basic and Simple Procurements (under \$25 000).

When a requirement cannot be met from an existing contract or panel arrangement and the cost is expected to be less than \$25 000 staff can seek approval to make a basic purchase. Staff are required to get at least one written quote, prior to purchase.

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Signature:

Date: 5/7/2016

By the Minister for Transport and Municipal Services, Meegan Fitzharris



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Asked by Alistair Coe Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript Monday 27 June 2016 page 21

In relation to: Small and attractive items

Can the committee be provided with a copy of internal audit reports on controls for small and attractive items.

Meegan Fitzharris : The answer to the Member's question is as follows:-

Please see attached reports:

- Asset Control in relation to Parks and City Services (2012)
- Two-Way Radios Management (2016)



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Signature:

Date:

21/7/2016

By the Minister for Transport and Municipal Services, Meegan Fitzharris MLA



Parks and City Services Depots

ACT Government

Asset Control in relation to Parks and City Services
Depots

Report - July 2012

FINAL



17 July 2012

Mr Anthony Polinelli
Chief Internal Auditor
Department of Territory and Municipal Services (TAMS)
Macarthur House
12 Wattle Street Lyneham
Canberra ACT 2602

Dear Mr Polinelli,

FINAL REPORT - ASSET CONTROL IN RELATION TO PARKS AND CITY SERVICES DEPOTS.

If you have any questions please do not hesitate to contact me on 0414 950 033.

Yours sincerely,

Steven Kouparitsas
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1. Executive Summary

1.1 Introduction

Parks and City Services (PACS) is a division of the ACT Government Territory and Municipal Services (TAMS) Directorate. PACS is responsible for the planning and management of the majority of ACT's parks, reserves, forestry plantations and public domains, including lakes, street trees, public open spaces and city places.

Our audit was conducted with the objective of assessing the effectiveness of Asset Control in relation to PACS. The audit shall review in particular:

- Processes and procedures underpinning small scale purchases within PACS; and
- The effectiveness of current stock control arrangements with a particular focus being paid to all forms of stock control in Depots.

Depots hold a substantial inventory of assets and stores. Valuable and attractive items often represent a major investment in resources. Control of assets, and asset management generally, constitute important elements of a Depot's internal control environment.

PACS procurement processes mirror that of other parts of the ACT Government.

Below is a summary of the key findings in relation to our audit and references to detailed findings included in Section 3 of this report.

1.2 Index of Findings

Ref/ Page No.	Assessed Risk	Findings
1/ pg8	High (7)	Lack of an up to date Portable & Attractive Items Policy
2/ pg12	High (7)	Inconsistent invoice coding and capture of portable and attractive items
3/ pg14	Very High (9)	No monitoring of the manual issuance register
4/ pg17	High (7)	Insufficient systems validations and data capture
5/ pg19	Very High (9)	No segregations of duties over the management of stocktakes
6/ pg21	High (7)	Limited procedural Guidance and training for recording items in the Small and Attractive Items Register
7/ pg24	High (8)	Quality assurance over correct asset capture and monitoring of other small scale purchases
8/ pg25	Very High (9)	No segregation of duties over disposed goods
9/ pg27	Medium (6)	Missing incident reports accompanying stolen or vandalised goods

1.3 Conclusion against Objectives

We have performed a review of Asset Control within Parks and City Services Depots (PACS) Depots. This review assessed governance processes, policies and procedures supporting the purchase of small scale assets in relation to PACS.

Overall there are three very high level risks noted and several areas of high and medium risk referenced above which require attention by PACS. The following key points are emphasised from our review:

- There is an overall lack of up to date guidance and policy for the acquisition, management and recording of small scale asset purchases for PACS;
- Insufficient system enforced controls over data capture within the Small & Attractive Items Register;
- Inadequate segregation over the stocktaking and disposal processes;
- Limited capture of purchase information which limits reporting and monitoring of purchases; and
- Insufficient monitoring and quality assurance over small scale asset purchases, in particular Small & Attractive Items.

In response to these issues we recommend that PACS:

- Develop a risk assessment which drives the update of the policies surrounding small scale asset purchases;
- Ensure consistency of processes driven by development of procedural guidance, to support recording, management, stocktaking, handling of missing/stolen items, disposals and reporting;
- Consider the Small and Attractive Items Register system improvements including the prospect of migrating to the IAMS solution; and
- Improve budgetary controls and other reporting and monitoring mechanisms over small scale asset purchases.

These are supported by more detailed recommendations within our report.

2. Objectives and Methodology

2.1 Audit Objectives

Our audit was conducted with the objective of assessing the effectiveness of Asset Control in relation to Parks and City Services Depots (PACS). The audit shall review:

- processes and procedures underpinning small scale purchases within PACS; and
- the effectiveness of current stock control arrangements with a particular focus being paid to all forms of stock control in depots.

Aspects of good practice or areas of innovation found during the review have also been reported within each detailed section 3.

2.2 Methodology

Our audit performed the following with respect to assessing the effectiveness of Asset Control in relation to PACS:

Purchasing Processes, Procedures and Control

- Obtain guiding purchasing policies and procedures in place supporting the purchase and issue of inventory;
- Understand and document via stakeholder discussions the processes and procedures supporting small scale purchases;
- Lines of responsibilities/accountabilities supporting the purchase and issue of inventory; and
- Identification of any gaps in control activities with respect to the recording of purchases and issuance of inventory from the Depots.

Management Monitoring Purchases

- Assess whether there are appropriate reporting and monitoring processes in place over purchases and inventory issues by management.

Analysis of small scale purchase and issue of purchases

- For the period July 2011 to January 2012 review the level of purchases within by each depot.
- By type of purchase, assess whether the levels purchased are commensurate with the business activities undertaken.
- Compare, for each depot, the volume of small scale purchases issued, if possible to where and/or to whom.
- For an agreed sample of purchases selected, analyse the level of stock on hand as at a given date during the audit and assess whether this is consistent with the level of purchases reviewed in the previous point, to assess any unexpected reductions in inventory levels.

2.3 Risk Ratings

Our assessment of risk for the findings raised, adhered to the methodology recommended in the Australian and New Zealand Risk Management Standard (AS/NZS ISO 31000:2009). This standard categorises organisational risks according to their likelihood and consequence. Refer to Attachment B for specific risk category table.

3. Detailed Findings – Asset Control in Parks and City Services Depots

3.1 • Guiding policies and procedures in place supporting the purchase and issue of inventory

3.1.1 Organisational policies

Accounting Policies - Portable and Attractive Items

The ACT Accounting Policy - Portable and Attractive Items (Issued in November 2005) provides general guidance to ACT Government agencies on accounting for and the management of portable and attractive items. There is no specific policy on small assets which fall beneath the \$5,000 asset capitalisation threshold within ACT Government. The Portable & Attractive Items policy however, is tailored to capture assets that are perceived to be valuable and outlines the methods to record and manage these assets.

The policy is available at:

http://www.treasury.act.gov.au/accounting/download/AP_02.pdf

The policy states portable and attractive items are non-consumable items that:

- have a value below an agency's capitalisation threshold (this threshold is between \$2,000 and \$5,000); and
- are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale.

By definition, portable and attractive items do not meet the asset capitalisation threshold and, consequently, are expensed in the financial year in which they are acquired.

The PACS Small & Attractive Items Register (the Register) has been developed to support the compliance requirements under this policy.

The following key points are noted:

- The policy has not been reviewed for over 6 years.
- The minimum threshold for entry into the Register has been informally lowered to \$100, however this is not reflected in the accounting policy.
- The policy does state that agencies may set different thresholds for different categories of items, depending on the risk associated with each category and the agency's operating environment. Based on correspondence provided to Depots by PACS Management the lower threshold of \$100 was not made explicitly clear which could cause confusion.

Where agencies issue portable and attractive items to employees for their specific use, agencies should have appropriate systems in place to ensure that all items issued are returned (or accounted for) on or before the employee's last day with the agency.

The policy states the portable and attractive register must include the following information for each item:

- ID number (e.g. register or barcode number)
- description (e.g. brand, model, serial number, other identifying features)
- purchase date
- purchase cost (or equivalent)
- responsible area (e.g. branch/section)
- contact person/holder (e.g. name, phone number, location)
- disposal date
- disposal method (e.g. lost, stolen)

The Register has been configured to include all these data fields.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

1. Finding – Lack of an up to date Portable & Attractive Items Policy

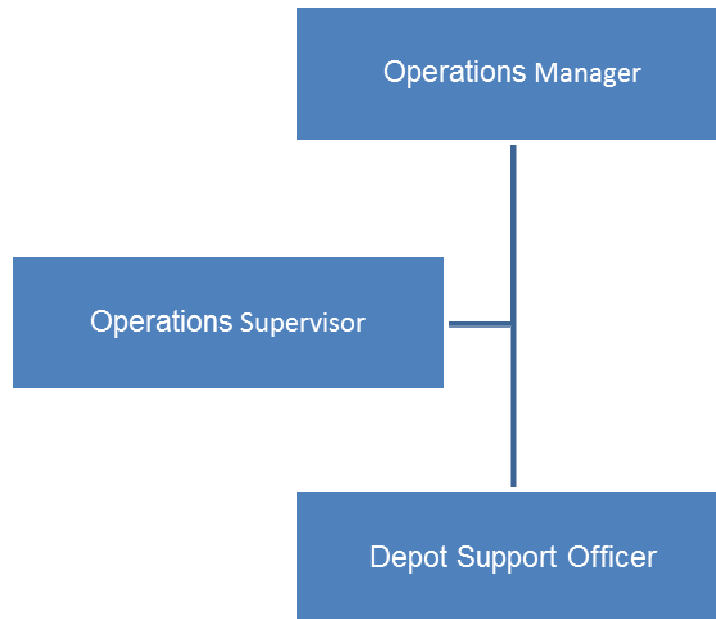
Summary of the Finding	The Portable & Attractive Items policy has not been reviewed for over 6 years. The minimum threshold for entry into PACS Small & Attractive Items Register has been informally lowered to \$100. This was evidenced by correspondence provided by PACS Management to Depots via the yearly stocktaking activity process. This however, is not reflected in a formal policy.
Risk	High - Consequence: 4 Likelihood: 3 Total: 7 There is a risk that current processes for portable and attractive items do not align with policies and overall current PACS management intent. (Reputation/ Business Process/Financial)
Recommendation	Consideration should be put to increasing the capitalisation limit on designated assets, thereby allowing the accounting staff to focus its attention on the proper approval, tracking, and disposition of a smaller number of large dollar assets. PACS Management should perform a risk assessment to identify equipment at risk of misappropriation or loss valued up to \$5,000. This risk assessment should be used as the basis of a tailored Portable & Attractive Items Policy for PACS.
Management Response	Agree
Action Officer	PACS Business Manager
Timing for completion	September 2013

3.1.2 Purchasing delegations

Lines of responsibilities/accountabilities supporting the purchase and issue of inventory

Audit conducted asset procurement observations across 3 Depots within PACS, namely Belconnen, Nicholls & Kambah. The typical line of procurement approval observed within each Depot was:

Typical Depot Procurement Hierarchy



The Depot Support Officer role was primarily administrative by nature which included the responsibility to raise invoices. The Operations Supervisor (also known as the Depot Manager) oversees operations and approves expenditure to the limit of their delegation. The Operations Manager oversees a series of Depots, for example all north side operations. They have a delegation generally higher than the Operations Supervisor to approve expenditure.

Audit noted that there were inconsistencies between how invoices were being approved. For example:

- In Belconnen all Purchase Orders are prepared at the Depot with the authorisation occurring by the Operations Manager - North.
- In Tuggeranong purchases up to \$10,000 are authorised by the Operations Supervisor with the preparer being the Depot Support Officer. Items over \$10,000 are authorised by the Operations Manager – South.

The responsibility for the issuance of inventory lies with Operations Supervisors who have an independent role from other Depot staff.

3.1.3 Overview of Depot asset purchase process

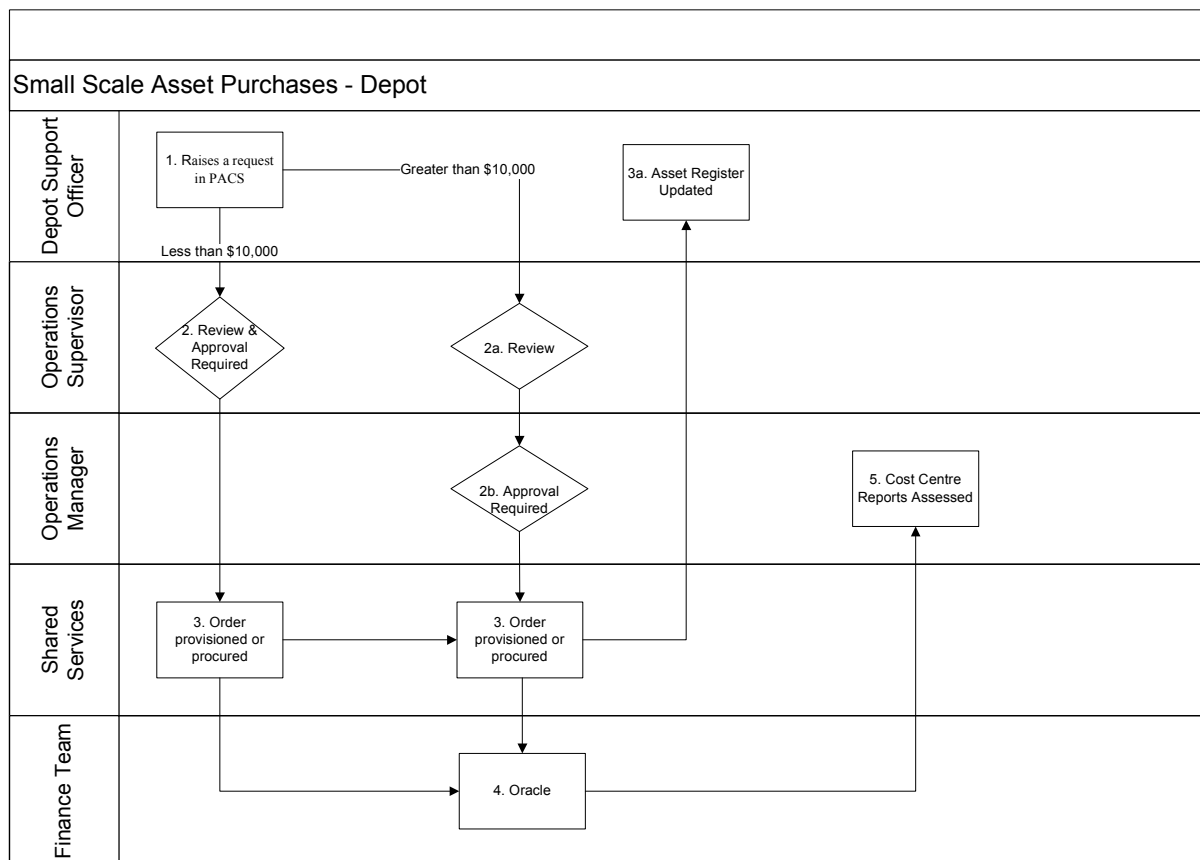
Purchase and issue of inventory and small scale asset purchases

Typically the Operations Supervisor's authorise purchases up to \$10,000 based on the delegation that they have. Operations Managers sign off on invoices over and above this for Depot purchases.

Purchase Orders are raised by Depot Support Officers but can be raised by anyone with access to the purchase order system within PACS. Refer to section 3.2.1 for further details on the purchase order system.

The typical steps in the small scale asset management process are described as follows:

1. **Asset Purchase:** The PACS Invoice Payment and Purchase Order System is designed to simplify creation, payment and tracking of PACS purchases. Generally speaking a purchase is initiated by a Purchase Order to a supplier raised by the Depot Support Officer.
2. **Financial Management:** The Finance team require all assets to be assigned to an entity, cost centre, natural account, project and programme. This aligns to the asset delivering for the appropriate business area.
3. **Approval:** Purchases up to \$10,000 are authorised by the Operations Supervisor with the preparer being the Depot Support Officer. Items over \$10,000 are authorised by the Operations Manager at PACS Macarthur House.
4. **Procurement:** When the goods have been received and the invoice is available for payment the signed Purchase Order cover sheet is sent to Shared Services with the invoice for payment through Oracle.
5. **Asset Register:** Assets covered by the Small and Attractive Items Register can be directly added from the invoice or edit screen of the PACS Invoice Payment and Purchase Order System by clicking "Add Asset." This will automatically populate the access database tables. In practice it was observed that Depots were utilising the 'Asset Acquisition Advice' form (Refer to Attachment C) and then manually sending to PACS Management for input into the Small & Attractive Items Register.



The following table describes the steps and responsibilities associated with a small asset request.

Step	Corresponding Process Label	Role	Description
1	Staff member raises a request	Depot Support Officer	The Depot Support Officer raises a Purchase Order via the PACS Invoice Payment and Purchase Order System.
2	Approval Required Under \$10,000	Operations Supervisor	Purchases up to \$10,000 are reviewed & authorised by the Operations Supervisor with the preparer being the Depot Support Officer. The purchase order system generates a hard copy covering sheet to allow signature approval.
2a	Review of Purchase over \$10,000	Operations Supervisor	The Operations Supervisor reviews invoices over \$10,000 before it is sent to the Operations Manager for approval.
2b	Approval Required Over \$10,000	Operations Manager	Items over \$10,000 are authorised by the Operations Manager at Macarthur House. The purchase order system generates a hard copy covering sheet to allow signature approval.
3	Order Provisioned or Procured	Shared Services	When the goods have been received and the invoice is available for payment the signed PO cover sheet is sent to Shared Services with the invoice for payment.
3a	Asset Register Updated	Depot Support Officer	The PACS Invoice Payment and Purchase Order System allow small and attractive assets to be input into the Small & Attractive Items Register directly.
4	Oracle Updated	Shared Services/Finance Team	Shared services process invoices through Oracle on behalf of Depots.
5	Cost Centre Reports Assessed	Operations Manager	Operations Managers can run reports from Oracle and analyse transactions for their respective cost centres which include asset purchases.

3.2 •Understand and document via stakeholder discussions the processes and procedures supporting small scale purchases

3.2.1 Document the process supporting small scale asset purchases

Background

The PACS Invoice Payment and Purchase Order System is a Access database designed to simplify creation, payment and tracking of PACS purchases. It is used to generate purchase orders to suppliers. Generally speaking a purchase is initiated by a Purchase Order (PO) to a supplier.

When the goods have been received and the invoice is available for payment the signed PO cover sheet is sent to Shared Services with the invoice for payment through the Oracle finance system.

In almost all instances a PO is required to make a purchase. In the rare event of there being no account available with a supplier, there were some Depots that utilised a credit card for the purchase. The transaction would only be made after PACS Management approval at Macarthur House has been granted.

It was noted that there were poor descriptions for invoice coding on PO covering sheets. In some cases where a number of different types of goods were purchased from the same vendor on the same invoice the asset details would not be separated into multiple lines for Shared Service processing. The PO covering sheet has the functionality to allow the dissection of an invoice into multiple lines.

It was also noted (though not in the scope of this audit) that the processes governing the approval of PACS invoices could be prone to potential fraud if signatures are forged on PO covering sheets. Shared Services should consider a register of signatures to ensure that delegated officers are indeed authorising PO's correctly. There are no inbuilt system electronic approvals for purchasing to support a more secure method of authorisation.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

2. Finding –Inconsistent invoice coding and capture of portable and attractive items

Finding	<p>Descriptions on purchase order cover sheets that are used as input into the Oracle finance system were often not detailed enough to understand the nature of the expense or small asset purchased.</p> <p>Audit also observed that PACS invoices paid via purchase order covering sheets was prone to forgery without a verification process to ensure the legitimacy of signatures.</p>
Risk	<p>High - Consequence: 3 Likelihood: 4 Total: 7</p> <p>There is a risk that some purchases would not be identified as assets through Oracle transaction listings and that expense items are not entered with sufficient detail to allow correct recording, monitoring and tracking of individual items.</p> <p>(Reputation/ Business Process/Financial))</p>
Recommendation	<p>2a: Procedural guidance should be developed to outline the level of detail that must be captured on PO covering sheets to improve the invoice reference descriptions associated with small scale asset purchases. This will enable a sufficient level of detail to be captured as part of Shared Service processing to allow reporting and monitoring of purchases.</p> <p>Procedural guidance should be developed and include a complete end to end process for recording an asset within the Small & Attractive Items Register. Training should be provided to support any procedural guidance</p>

	<p>developed.</p> <p>2b: Shared Services should consider a register of signatures to ensure that delegated officers are indeed authorising PO's correctly. TAMS could provide the signature register to Shared Services to support this recommendation.</p> <p>As a long term recommendation TAMS should consider the implementation of a more sophisticated purchase order approval process system. This may include the development of a system that manages workflow capability.</p>
Management Response	<p>a) Agree</p> <p>b) Agree in principal. A register of signatures could be resource intensive due to staff turn-over. Any new PO approval system would need to be practical.</p>
Action Officer	<p>PACS Business Manager</p> <p>Shared Services/ TAMS Business Manager</p>
Timing for completion	September 2013

Purchase Cards & Petty Cash

The Depot field visits undertaken by Audit indicated that purchase cards were not being utilised to support vendor purchases. In some instances relationships were built with vendors but in all cases a purchase order would need to be presented in order to purchase an item.

Bunnings Cards have been issued to approximately 6 Depots to manage the purchase of some small scale items. Each card is registered with the Parks and City Services Depot allocated ID number and the name of the delegate authorised to use the card. Bunnings have been instructed to ensure that any purchases require confirmation of this delegate via photo ID and a signed purchase order.

There were issues of the account being placed on hold due to invoices not being paid on time. This was likely to have occurred as a result of invoices being issued without reference to a PO and thus the difficulty in assigning the purchase to a specific Depot.

For both Belconnen & Tuggeranong the level of purchasing with Bunnings was low. The total expenditure for the Depots amounted to less than \$5,000 for the 6 months ending 31 December 2011.

It is recommended that each Depot should be set up as a separate customer by Bunnings to ensure invoice tracking is more easily managed. It was noted that Bunnings are not complying with the ID check and PO requirement.

It was established that no petty cash fund is utilised to procure any type of purchase at the Depot's interviewed. Cash re-imburements related to staff matters and not purchases of assets. These types of re-imburement were conducted at Macarthur House through Payroll.

Managing attractive items from a security and issuance perspective.

The audit observed that a paper issuance register was kept for uniform items such as sunglasses and protective gloves. The manual register was created to issue property plant and equipment or clothing to Depot staff. It requires date of issuance, name of recipient, signature and the issued item. Any excessive use is tightly scrutinised by Depot management.

All valuable items are locked away in safe cabinets with senior Depot management only having access to keys. High volume, low value items that are perceived as attractive such as gloves and sunglasses may warrant other mechanisms to track stock levels.

Refer to Section 3.3.1 for a method of managing the risk associated with these uniform issued small value items.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

3. Finding – No monitoring of the manual issuance register

Finding	<p>Items, including Small & Attractive Items, which are issued to Depot staff are managed via manual paper issuance registers.</p> <p>Items such as uniforms are not recorded in the Small & Attractive Items Register, but are recorded on the manual issuance register.</p> <p>There were no independent audits conducted on the management and issuance of these valuable items.</p>
Risk	<p>Very High - Consequence: 5 Likelihood: 4 Total: 9</p> <p>Without an independent assessment of the small and attractive items issuance there is an increased risk of fraud.</p> <p>(Compliance/Business Process/Reputation)</p>
Recommendation	<p>Items identified in Depots as valuable should be scrutinised more fully by PACS Management as part of ad-hoc stocktaking, including reviews of the manual issuance registers for each Depot.</p> <p>Consideration should be placed on using the Small & Attractive Items Register to track issued stock to staff. This would require some level of modification to the existing Small & Attractive Items Register but would enable a complete tracking of an asset by PACS.</p>
Management Response	Agree
Action Officer	PACS Business Manager
Timing for completion	September 2013

3.2.2 Asset recording and verification

Finding - Background

Small and Attractive Items Register Recording

The Small & Attractive Items Register (the Register) was developed in late 2008 to provide a system solution to record small scale assets at PACS Depots. Before this much recording was conducted on manual paper forms by each Depot and kept on site. As previously mentioned, the purchase order system has a button to link to the Register and support the recording of small and attractive assets. This should be completed each time a new asset is purchased.

When a small scale asset item is purchased which is covered by the policy requirements of the Register, it can be directly added from the invoice or edit screen of the PACS Invoice Payment and Purchase Order System by clicking "Add Asset." This will automatically populate the Register access database tables. If Depots have forgotten to input the details via the Purchase Order System then they have the ability to notify the PACS Project Officer supporting the database who resides in PACS Management at Macarthur House.

The input variables to the Register include:

- Asset ID;
- Acquisition Date;
- Depot;
- Asset/Class;
- Asset Type;
- Asset Bar Code;
- Description;
- Serial Number;
- Value; and
- PO Number.

Details of Asset Class Categories and the number of items recorded as at the 14th of March 2012 are:

Asset Class	No of Items
Fire Specific	19
ICT and Data	331
Office Equipment	1,145
Plant and Equipment	1,685
Staff Amenity	179
No Asset Class	43
Grand Total	3,402¹

Refer to Attachment D for a list of Asset Types & Asset Sub Types. The Register has been developed to allow sufficient details to be recorded for each asset for verification and tracking purposes.

Attachment E splits the number of items recorded by Depot and the corresponding value recorded. The Register has a total of \$1,408,420 worth of assets recorded for all Depots within PACS.

¹ 3,402 is the current active asset listing as at the 14th of March 2012. There were 125 additional items with a date of loss/disposal recorded.

Input fields for the Register are not all mandatory. As a result, many fields are not populated resulting in poor data quality. For example some items do not state asset types, or serial numbers or values. Incomplete data would make asset stock verification difficult.

Comprehensive details including the serial number should be recorded, to allow the specified equipment to be easily tracked at any time and to ensure that the equipment will be covered in the event of loss or damage.

Although the Register did allow the ability to distinguish between each Depot when recording assets, it did not allow a further breakdown by Business Unit. In the case of Depots that have separate responsible areas such as Tree Surgery, Fire Unit, Tree Surgery, Horticulture and Cleaning or Pest Control it is difficult to isolate assets within the Register.

It was observed that the Depots visited were not utilising the direct system method of updating the Small and Attractive Items Register rather a manual 'Asset Acquisition Advice' paper form was being filled and sent to PACS Management to input to the Register centrally. In simple terms the process was:

Step Action

- 1 Goods received and invoice approved.
- 2 Invoice sent to Shared Services and entered onto Oracle.
- 3 Asset Addition/Transfer/Write-off form with a clearly marked copy of the invoice is sent to the PACS Project Officer responsible for the Register.
- 4 Project Officer arranges for Asset Register to be updated.

Consideration should be given to in implementing a catalogue listing of items to allow uniform recording of descriptions. Further, data capture could include a quantity field to better support recording.

Given the lack of mandatory data captured with existing assets there would need to be a project to assess the missing input variables for all assets and populate all required fields. The project would require a complete stocktake of all Depots to ascertain what variables require population.

As consequence of these findings the current Register cannot be relied upon as a true reflection of small asset holdings under \$5,000.

Small & Attractive Items Register Security

Audit also observed that the Register did not have inbuilt audit logs to support the tracking of modifications to the supporting database. Effective audit logging is important for the security and reliability of the Register. Logs can be used to detect suspicious activity, which frequently provides early indications of an attack on the system. Failing to do so can leave the application vulnerable to repudiation threats. Auditing is generally considered most authoritative if the log information is generated at the precise time of resource access.

There was also a lack of security over the Registers supporting database. Any PACS staff with access to the network drive that the database resides on could access the database tables from the back end and make unauthorised changes. Also, any user with access to the PACS Purchase Order System has the ability to add assets to the Register. There are no specific user profiles for the Register.

There is also a lack of business documentation around the development of the database. The current database administrator and initial developer of the system holds much of this knowledge that is undocumented in any sufficient detail. There is a risk of corporate knowledge loss in the event of their departure.

Consideration of IAMS Solution

The Integrated Asset Management System (IAMS) was implemented by TAMS to upgrade and fully integrate a range of legacy asset management systems into a single integrated solution. TAMS is

responsible for an extensive range of asset types paralleling those of large local government authorities.

Audit explored the possibility of utilising IAMS as a solution to manage small scale asset recording. The IAMS solution is tailored to both linear referencing and spatial location capabilities offering asset managers referential and absolute locations of their assets. The system also has the capability of managing the recording of small scale assets in line with existing processes with the added benefit of a defined system with inbuilt controls. IAMS has extensive reporting capabilities that would support any management requirements.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

4. Finding – Insufficient systems validations and data capture

<p>Finding</p>	<p>The database that supports the Small and Attractive Items Register does not contain adequate system validations and does not enforce capture of data by mandatory fields.</p> <p>From a database security perspective, the Small and Attractive Items Register does not have logging capabilities enabled, and general security over the database supporting the Small and Attractive Items Register is lacking.</p>
<p>Risk</p>	<p>High - Consequence: 3 Likelihood: 4 Total: 7</p> <p>There is a risk that the data quality of the Register will impact on the effectiveness of stocktaking.</p> <p>There is also an increased risk of unauthorised changes being made to the Register.</p> <p>(Business Process/Financial)</p>
<p>Recommendation</p>	<p>Alternative One: It is recommended that PACS develop more front end system validations including required fields to support improved data capture of small scale assets.</p> <p>Given the lack of data capture with existing assets, there would need to be a project to assess the missing input variables for all assets to allow the population of all required fields. This may require a complete and thorough stocktaking of all Depots.</p> <p>Consideration should be given to implementing a catalogue listing of asset items to allow uniform recording of descriptions. Further the data capture could include a quantity field to better support recording of multiple purchases of the same asset. The front end capture should also have a mandatory field to record the Business Unit within each Depot.</p> <p>Audit also recommends that PACS Management ensure database logging capabilities are implemented and that the outputs of these logs are monitored to ensure data integrity. PACS Management should also ensure that there is sufficient business documentation that details the development of the database.</p> <p>Alternative Two: Building on alternative one, PACS Management should explore and consider the potential migration to the IAMS Asset solution. IAMS provides all the system input and security controls to support alternative one. Before any migration PACS Management should ensure that all asset data is</p>

	captured and complete.
Management Response	Agree – PACS need to review to determine which is the preferred option.
Action Officer	PACS Business Manager
Timing for completion	December 2012

3.2.3 Stocktaking

Stocktaking Policies

The ACT Accounting Policy for Portable and Attractive Items states that stocktakes are the mechanism that assists the director-generals and chief executive officers in confirming the existence and proper control over assets. Stocktakes also ensure that operational units are accountable for the portable and attractive items under their control and assist them to:

1. identify items that have been lost or stolen and, where possible, recover them; and
2. assess the effectiveness of control practices for portable and attractive items and, where required, improve them.

According to the policy agencies must ensure that stocktakes of portable and attractive items are performed at least once a year, in order to safeguard identified portable and attractive items.

The results of each stocktake must be provided to the head of the operational unit or cost centre responsible for reporting on portable and attractive items. The head of the operational unit or cost centre should then address any significant issues of concern.

Stocktaking Process & Barcodes for Assets

PACS Management provides barcode stickers to each Depot to support the identification of their assets. Barcodes are required to be attached to each new small attractive asset. Barcodes are unique for each Depot.

A barcode scanner was used through each Depot to support stocktaking purposes. This process has proven time consuming and some problems have been encountered with the scanner including a minor system problem and some operator errors.

As a result of the scanner issues Depots were issued with lists of assets extracted from the Small and Attractive Items Register which included the barcode issued numbers and asked to perform an internal stocktake.

As part of the stocktake process Depots:

- physically located the items;
- cross referenced the item to the barcode record on the asset listing;
- confirmed the items existence and marked items on the asset listing; and
- in the instance of new items being discovered without a barcode, a barcode was placed on the items and the asset was recorded on the Small & Attractive Items Register.

Advice from Depots was that often barcodes fell off items or could be peeled off easily. Items that could not be found as part of stocktaking would then trigger the requirement to complete a security form and an 'Asset Disposal Advice' form. It was clearly evident that Depots were largely autonomous

in their stocktaking activities and that independent parties (such as PACS Management) were not present to enforce segregations.

Stocktaking Improvements

One officer in each Depot should be assigned the responsibility of maintaining the Register. This officer should review minor asset purchases at least quarterly and record any items which are considered portable and attractive and have a value of greater than the agreed lower limit and less than \$5,000 on the Depot's Register.

A stocktake of all Register items must be undertaken annually. The stocktake should be performed by an officer other than the officer responsible for the maintenance of the Register. The results of each stocktake must be provided to the relevant PACS Management division head who should then address any significant issues of concern. The division head must authorise the removal of all lost and stolen items from the Register.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

5. Finding –No segregations of duties over the management of stocktakes

Finding	<p>Currently there is no consistent approach to stocktaking across Depots. Due to staff resourcing concerns there has not been a representative from PACS Management present to oversee the stocktaking process at all Depots.</p> <p>The responsibility of performing the stocktake rests with the area responsible for the portable and attractive register. However the policy states, the person assigned to perform the stocktake must not maintain the portable and attractive register.</p> <p>A barcode scanner was used through each Depot to support stocktaking purposes. This process has proven time consuming and some problems have been encountered with the scanner including a minor system problem and some operator errors.</p>
Risk	<p>Very High - Consequence: 5 Likelihood: 4 Total: 9</p> <p>A lack of segregation of stocktaking duties from purchasing of assets and maintenance of the Small & Attractive Items Register increases the risk of fraudulent activity.</p> <p>(Reputation/Business Process/Financial)</p>
Recommendation	<p>5a: There needs to be a clear separation between purchasing and stocktaking activities to ensure independence is present in the stocktaking process.</p> <p>It is recommended that proper segregation of duties must exist during stocktake.</p> <p>PACS Management need to ensure that the stocktake team consists of:</p> <ol style="list-style-type: none"> 1. Depot Representative(s) (Warehouse personnel); and 2. Checkers (Staff from PACS independent of Depot). <p>Rather than conduct the stocktake during one period of the year for all Depots, PACS Management should develop a rotational calendar of when stocktakes will occur.</p> <p>PACS Management should undertake sample physical count of inventory throughout the year. The focus however, should be on areas of high risk.</p> <p>5b: PACS Management should investigate the issues surrounding the barcode scanner more fully and consider the re-implementation of its use.</p>

	There should be testing and procedural documentation developed for the existing barcode scanner to support a more streamlined and efficient stocktaking.
Management Response	a) Agree – outline in procedures - November 2012 b) Review of barcode system - December 2012
Action Officer	PACS Business Manager
Timing for completion	See Management Response for timing.

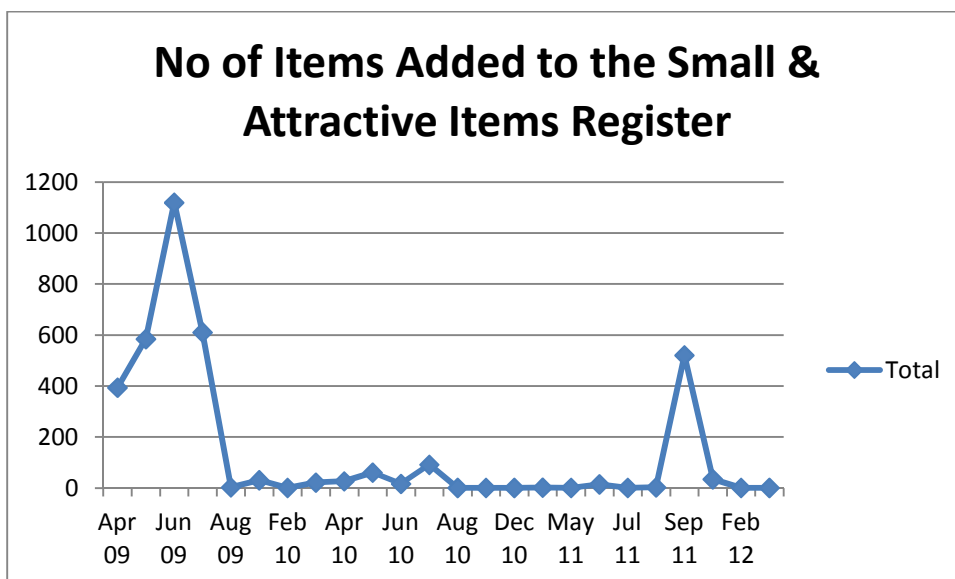
3.2.4 Compliance with Accounting Policies

Small and Attractive Items Register Compliance

In accordance with the ACT Accounting Policy for Portable and Attractive Items, all areas in PACS need to keep current registers of their portable and attractive items and prior audits have picked up the lack of a key, coordinated register.

The Parks & Reserves Depot has not complied with this requirement and has no inputs in the Small and Attractive Items Register. All other Depots have records within the Register noting the comments previously made around data quality and completeness. Refer to Appendix E for a summary of items by Depot.

It was noted that no independent reporting was conducted on the Register apart from work conducted as part of stocktaking activities. Audit plotted the number of items recorded since the Register was put into operation in April 2009. It was clearly evident that most items were placed onto the Register as part of stocktaking activities and not via normal procurement activity throughout the year. This indicates non-compliance with the Register's intentions. Items that have not been recorded on the Register at the time of purchasing and are subsequently misplaced may not be identified as part of stocktaking activities.



Procedural documentation supporting small scale asset purchases

There are instructions to help utilise the Small and Attractive Items Register. However this is not a formal document and has not been circulated to the staff at Depots.

There was clear evidence that some Depot Support Officers were unaware of the existence and required responsibilities to record assets. New Depot Support Officers should undertake formal training in this area as part of their induction.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

6. Finding – Limited procedural guidance and training for recording items in the Small and Attractive Items Register

Finding	<p>There are basic instructions to help utilise the Small and Attractive Items Register. However this is not a formal document and has not been circulated to the staff at Depots.</p> <p>Our investigation noted that most staff at the Depots were unaware of the existence of the automated method of adding assets to the Small and Attractive Items Register.</p> <p>There was no consistent method of recording assets in the Register. Typically Depots use a manual Asset Acquisition Advice form to notify PACS Management of an asset purchase rather than the automated method of recording.</p> <p>It was also clearly evident that most items were placed onto the Register as part of stocktaking activities and not via normal procurement activity throughout the year.</p>
Risk	<p>High - Consequence: 4 Likelihood: 3 Total: 7</p> <p>There is a risk that manual asset forms will be misplaced and thus small scale assets not recorded in the Register.</p> <p>(Business Process/Financial)</p>
Recommendation	<p>It is suggested that PACS Management improve the procedural documentation that supports the Small & Attractive Items Register.</p> <p>It is recommended that formal training of the Register be conducted across all Depots to ensure that automated methods of data capture are utilised. Completion of the Asset Acquisition Advice forms by Depots should be continued in tandem with the automated update and used as a cross check by PACS Management.</p> <p>PACS Management should ensure that Register procedural documentation is complete and properly maintained on file and complies with accounting policy requirements.</p> <p>As previously mentioned in Finding 2 Audit recommends a procedural guide to support the purchase and management of small scale assets. This would include the development and use of a checklist of required actions in relation to the:</p> <ul style="list-style-type: none"> • Purchase, recording and issuance of small scale assets; • Process for stocktaking; and • Handling of missing/stolen items and disposed goods
Management	Agree

<i>Response</i>	
<i>Action Officer</i>	PACS Business Manager
<i>Timing for completion</i>	September 2013

3.3 • Identification of any gaps in control activities with respect to the recording of purchases, issuance and disposal from the Depots

3.3.1 Identified Control gaps

Finding – Background

Depot Cost Centre Analysis

Audit reviewed the cost centre transactions associated with Belconnen, Kambah & Calwell and observed the nature and type of vendors being utilised and whether this was appropriate, with consideration of Depot size and requirements. By type of purchase, Audit assessed whether the levels purchased were commensurate with the business activities undertaken.

Audit used the period 1 July 2011 to January 2012 to review purchases. It was noted that there were 74 vendors utilised for Tuggeranong and 85 for Belconnen. All transactions observed appeared in line with typical Depot activity.

Audit did observe that there was a general lack of analysis of cost centre transactions through the Oracle ledger by PACS Management. Depot Support Officers also did not have access to transactional data in Oracle.

As part of PACS Management quality assurance programs to ensure all small scale assets are captured certain vendors that are consistently used to procure small scale assets should be scrutinised. Audit observed instances of small scale asset purchases that had not been recorded in the Small & Attractive Items Register.

For example for the Tuggeranong region the following blower was purchased for \$461 in September 2012:

“PURCHASE OF BLOWER AND BLADES BOP E13” but had not been coded to the Register. This was further evidence of non-compliance of Register requirements.

In order to isolate and support identification of items that should be placed onto the Small and Attractive Items Register it is suggested that the coding of invoices to the accounting system be more targeted. For example a specific cost element within Oracle could be utilised to support the identification of invoices relating to such items. An item could be coded to the following sub-object classifications using an internal number of 12 to represent an item to be recorded in the Small & Attractive Items Register which would support identification and reporting in the Oracle ledger, for example:

Entity	Cost Centre	Natural Account	Internal	Project	Programme	Value
xxx	xxxxx	R&M - Plant & Equipment	12	xxxxx	xxxx	\$461

Small items relating to valuable uniform issuances such as gloves, ear muffs, sunglasses & sunscreen would be best tracked if items were purchased from the same vendor, where possible. Consideration should be sought to procure these items centrally before distribution to Depots. Trend analysis could be performed by PACS Management to compare expenditure by Depot and gain a level of assurance on usage patterns. The values of these items do not justify recording as a small scale asset. As mentioned in Finding 1 a risk assessment would support the justification of which assets should be tracked via the Register.

Audit attempted to assess whether there are appropriate reporting and monitoring processes in place over purchases and inventory issued by management. Currently there is no monitoring or budgetary analysis conducted at the Depots, rather budgetary analysis is conducted centrally by PACS Management after the items are purchased.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

7. Finding –Quality assurance over correct asset capture and monitoring of other small scale purchases

<p>Finding</p>	<p>Our review indicated that there was a lack of detailed analysis conducted on transactional data within the Oracle finance system. Based on detailed audit analysis of a sample of Depots it was evident that there were small scale assets that were not recorded in the Small & Attractive Items Register.</p> <p>It was also observed that Depot Support Officers did not have access to transactional data in Oracle.</p> <p>Currently there is no monitoring or budgetary analysis conducted at the Depots, rather budgetary analysis is conducted centrally by PACS Management however this review occurs after the items are purchased</p>
<p>Risk</p>	<p>High - Consequence: 4 Likelihood: 4 Total: 8</p> <p>There is a risk that some items that should be captured are not being recorded in the Register in a timely manner or at all.</p> <p>There is a risk that the issue of other small scale items is not adequately monitored to ensure it is within acceptable levels or budgets.</p> <p>(Reputation/Business Process/Financial)</p>
<p>Recommendation</p>	<p>7a: PACS Management should perform quality assurance processes to ensure all Small & Attractive Items are captured correctly in the Register. Further, all transaction postings through Oracle should be scrutinised for validity.</p> <p>7b: Cost coding to a specific Internal Order number could support more targeted recording of items relating to small scale asset purchases. There should be greater budgetary control over the purchasing process.</p> <p>7c: All Depot Support Officers should be provided a quarterly report of transactions for their respective cost centres or access to Oracle to review transaction postings and alignment with the Small & Attractive Items Register.</p> <p>There should also be formal sign off of Oracle cost centre transaction listings by Depot Support Officers to support stocktaking activities and validating purchases of assets.</p> <p>The Depot Support Officer in each Depot should be assigned the responsibility of maintaining the Small & Attractive Items Register. This officer should review minor asset purchases at least quarterly and record any items which are considered portable and attractive that have a value of between the agreed lower limit and \$5,000 on the Depot's Register.</p>
<p>Management Response</p>	<p>a) Agree - Sept 2013</p> <p>b) Review/creation of cost codes - Sept 2012</p>

	c) Include in procedures / training required - Sept 2012
Action Officer	PACS Business Manager Finance Section/Shared Services/Operational Managers PACS Business Manager/ DSO/Supervisor
Timing for completion	See Management Response above for timing.

Compliance with disposal policies and procedures.

Disposal policies as per ACT Government accounting policies note that:

“Agencies must have adequate controls over the removal of portable and attractive items from the register. All items removed must be properly authorised by the head of the responsible area and cannot be undertaken by the person assigned to maintain the portable and attractive register.

Information relating to items that are lost or stolen should be retained for at least three years, to assist in assessing the effectiveness of the area’s control of portable and attractive items as well as identifying any emerging trends. This information can be reinstated on the register if the items are recovered.”

It was observed that Depots largely manage the disposal of the physical goods themselves. Advice is provided to the PACS Management team for asset removal, this is generally performed by sending an Asset Disposal Advice form (refer to Attachment C) to the responsible delegate within the PACS Management team at Macarthur House.

Depots advised that some disposed items are kept as spare parts. If they cannot be reused items are sent to Pickles Auctioneers after the Fleet Management Team are contacted at Macarthur House.

With regard to the write-off of an asset, the policy states the delegate must be satisfied with one of the following:

- loss of an asset; or
- theft of an asset; or
- the asset has become unserviceable; or
- the asset has become obsolete.

In situations where assets cannot be located, write-off action should not occur until it is clear that the asset in question has been lost or stolen. Once approval to write-off the value of an asset has been obtained, the asset should be removed from the Register and the relevant Agency account in a timely manner.

It was noted that if Depots identify, as part of stocktaking activities, an item that has been disposed of or lost that advice is provided to PACS Management for the removal of that item. The PACS Project Officer then manually removes the item from the Register.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

8. Finding – No segregation of duties over disposed goods

Finding	<p>It was noted that there was a lack of segregation between the authoriser of asset purchasers and the ultimate decision maker on asset disposal within Depots.</p> <p>Items identified as being surplus to Depot requirements through stocktaking activities were removed from the Small & Attractive Items Register through advice from Depot Management to PACS Management. There was insufficient scrutiny to ensure that any disposals were legitimate.</p>
Risk	<p>Very High - Consequence: 5 Likelihood: 4 Total: 9</p> <p>There is an increased risk of fraudulent activities due to a lack of segregations in the disposal process.</p> <p>(Reputation/Financial)</p>
Recommendation	<p>It is recommended that all surplus items should be sent to a central repository to manage the disposal process and ensure segregations from the purchasing responsibilities are met.</p> <p>PACS Management must ensure any items removed from the Register have an accompanying Asset Disposal Advice form. In the event of goods being identified as suitable for spare parts, PACS Management, as an independent reviewer, must authorise such occurrences via formal approval.</p> <p>There should be sufficient detail recorded in the Register to allow reporting of disposed items by Depots.</p>
Management Response	Agree
Action Officer	Operational Managers & Supervisors
Timing for completion	December 2012

Management of the Small & Attractive Items Register.

Depots generally had suitable Registers for recording and tracking their attractive assets. However there were weaknesses in practice which have been detailed previously in this report. These included: Registers that were incomplete or out of date, inaccurate records, inadequate checking of physical assets against records, and inadequate monitoring of losses and discrepancies. As a result, not all assets had been registered and not all could be located.

As mentioned in **Finding 4**, it is recommended that the registration of assets via the purchase order system should have inbuilt required fields to ensure complete and consistent capture of data for the Small & Attractive Items Register.

Controls to identify and remove misplaced or lost assets/portable and attractive items from the register

In the event of assets/portable and attractive items being lost or misplaced, Audit suggests Management should investigate the whereabouts or reason why the asset or attractive item has gone missing. Should the investigation prove negative, an asset disposal report will be produced for those items in question and the disposal approved and submitted to Management. The details of this report should include the following information:

1. Date of loss;
2. Circumstances of loss;
3. Description including model and serial numbers; and
4. Barcode/Register equipment list item number.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

9. Finding – Missing incident reports accompanying stolen or vandalised goods and stocktaking variances

Finding	Audit observed that when an asset is identified as missing that a security incident form was not filled in all cases.
Risk	<p>Medium - Consequence: 2 Likelihood: 4 Total: 6</p> <p>There is a risk that assets misplaced or lost may not be reported accurately.</p> <p>(Business Process/Financial)</p>
Recommendation	<p>An incident report should accompany any items that have been stolen or vandalised. All items that are misplaced or stolen require recording in the Small & Attractive Items Register, however it was observed that this was not completed in all cases. There is a security incident form that should be filled in and referenced in the Register. Misplaced or stolen Items not recorded in the Register cannot be identified during stocktake.</p> <p>Audit recommends the use of pre-numbered acquisition and disposal forms. Each Depot would be provided pre-numbered asset acquisition and disposal forms, and track the status of each form.</p> <p>PACS Management must ensure that all items marked as missing or lost in the Small and Attractive Items Register has an accompanying security form.</p> <p>After each stocktake a copy of the variance report and stock valuation report with "Stocktake Check List" attached should be forwarded to the PACS Management team for perusal and comment. The PACS Management team with the delegated authority should then accept the adjustments or reject the stocktake or part thereof and appoint an independent person to enquire into the deficiency or result.</p>
Management Response	Agree
Action Officer	PACS Business Manager and Business Unit Managers

<i>Timing for completion</i>	December 2012
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Attachment A – Recommendation Summary

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
1	<p>Lack of an up to date Portable & Attractive Items Policy</p> <p>Consideration should be put to increasing the capitalisation limit on designated assets, thereby allowing the accounting staff to focus its attention on the proper approval, tracking, and disposition of a smaller number of large dollar assets.</p> <p>PACS Management should perform a risk assessment to identify equipment at risk of misappropriation or loss valued up to \$5,000. This risk assessment should be used as the basis of a tailored Portable & Attractive Items Policy for PACS.</p>	<p>High - Consequence: 4 Likelihood: 3 Total: 7</p> <p>There is a risk that current processes for portable and attractive items do not align with policies and overall current PACS management intent.</p> <p>(Reputation/ Business Process/Financial)</p>	Agree	PACS Business Manager	September 2013

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
2	<p>Inconsistent invoice coding and capture of portable and attractive items</p> <p>2a: Procedural guidance should be developed to outline the level of detail that must be captured on PO covering sheets to improve the invoice reference descriptions associated with small scale asset purchases. This will enable a sufficient level of detail to be captured as part of Shared Service processing to allow reporting and monitoring of purchases.</p> <p>Procedural guidance should be developed and include a complete end to end process for recording an asset within the Small & Attractive Items Register. Training should be provided to support any procedural guidance developed.</p> <p>2b: Shared Services should consider a register of signatures to ensure that delegated officers are indeed authorising PO's correctly. TAMS could provide the signature register to Shared Services to support this recommendation.</p> <p>As a long term recommendation TAMS should consider the implementation of a more sophisticated purchase order approval process system. This may include the development of a system that manages workflow capability.</p>	<p>High - Consequence: 3 Likelihood: 4 Total: 7</p> <p>There is a risk that some purchases would not be identified as assets through Oracle transaction listings and that expense items are not entered with sufficient detail to allow correct recording, monitoring and tracking of individual items.</p> <p>(Reputation/ Business Process/Financial)</p>	<p>Agree</p> <p>Agree in principal. A register of signatures could be resource intensive due to staff turn-over. Any new PO approval system would need to be practical.</p>	<p>PACS Business Manager</p> <p>Shared Services/ TAMS Business Manager</p>	<p>Sept 2013</p> <p>Sept 2013</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
3	<p>No monitoring of the manual issuance register</p> <p>Items identified in Depots as valuable should be scrutinised more fully by PACS Management as part of ad-hoc stocktaking, including reviews of the manual issuance registers for each Depot.</p> <p>Consideration should be placed on using the Small & Attractive Items Register to track issued stock to staff. This would require some level of modification to the existing Small & Attractive Items Register but would enable a complete tracking of an asset by PACS.</p>	<p>Very High - Consequence: 5 Likelihood: 5 Total: 9</p> <p>Without an independent assessment of valuable item issuance there is an increased risk of fraud.</p> <p>(Compliance/Business Process/Reputation)</p>	<p>Agree</p>	<p>PACS Business Manager</p>	<p>Sept 2013</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
4	<p>Insufficient systems validations and data capture</p> <p>Alternative One: It is recommended that PACS develop more front end system validations including required fields to support improved data capture of small scale assets.</p> <p>Given the lack of data capture with existing assets, there would need to be a project to assess the missing input variables for all assets to allow the population of all required fields. This may require a complete and thorough stocktaking of all Depots.</p> <p>Consideration should be given to implementing a catalogue listing of asset items to allow uniform recording of descriptions. Further the data capture could include a quantity field to better support recording of multiple purchases of the same asset. The front end capture should also have a mandatory field to record the Business Unit within each Depot.</p> <p>Audit also recommends that PACS Management ensure database logging capabilities are implemented and that the outputs of these logs are monitored to ensure data integrity. PACS Management should also ensure that there is sufficient business documentation that details the development of the database.</p> <p>Alternative Two: Building on alternative one, PACS Management should explore and consider the potential migration to the IAMS Asset solution. IAMS provides all the system input and security controls to support alternative one. Before any migration PACS Management should ensure that all asset data is captured and complete.</p>	<p>High- Consequence: 3 Likelihood: 4 Total: 7</p> <p>There is a risk that the data quality of the Register will make stocktaking activities more difficult.</p> <p>There is also an increased risk of unauthorised changes being made to the Register.</p> <p>(Business Process/Financial)</p>	<p>Agree – PACS need to review to determine which is the preferred option.</p>	<p>PACS Business Manager</p>	<p>December 2012</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
6	<p>Limited procedural guidance and training for recording items in the Small and Attractive Items Register</p> <p>It is suggested that PACS Management improve the procedural documentation that supports the Small & Attractive Items Register.</p> <p>It is recommended that formal training of the Register be conducted across all Depots to ensure that automated methods of data capture are utilised. Completion of the Asset Acquisition Advice forms by Depots should be continued in tandem with the automated update and used as a cross check by PACS Management.</p> <p>PACS Management should ensure that Register procedural documentation is complete and properly maintained on file and complies with accounting policy requirements.</p> <p>As previously mentioned in Finding 2 Audit recommends a procedural guide to support the purchase and management of small scale assets. This would include the development and use of a checklist of required actions in relation to the:</p> <ul style="list-style-type: none"> • Purchase, recording and issuance of small scale assets; • Process for stocktaking; and • Handling of missing/stolen items and disposed goods 	<p>High - Consequence: 4 Likelihood: 3 Total: 7</p> <p>There is a risk that manual asset forms will be misplaced and thus small scale assets not recorded in the Register.</p> <p>(Business Process/Financial)</p>	<p>Agree</p>	<p>PACS Business Manager</p>	<p>Sept 2013</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
7	<p>Quality assurance over correct asset capture and monitoring of other small scale purchases</p> <p>7a: PACS Management should perform quality assurance processes to ensure all Small & Attractive Items are captured correctly in the Register. Further, all transaction postings through Oracle should be scrutinised for validity.</p> <p>7b: Cost coding to a specific Internal Order number could support more targeted recording of items relating to small scale asset purchases. There should be greater budgetary control over the purchasing process.</p> <p>7c: All Depot Support Officers should be provided a quarterly report of transactions for their respective cost centres or access to Oracle to review transaction postings and alignment with the Small & Attractive Items Register.</p> <p>There should also be formal sign off of Oracle cost centre transaction listings by Depot Support Officers to support stocktaking activities and validating purchases of assets.</p> <p>The Depot Support Officer in each Depot should be assigned the responsibility of maintaining the Small & Attractive Items Register. This officer should review minor asset purchases at least quarterly and record any items which are considered portable and attractive that have a value of between the agreed lower limit and \$5,000 on the Depot's Register.</p>	<p>High - Consequence: 4 Likelihood: 4 Total: 8</p> <p>There is a risk that some items that should be captured are not being recorded in the Register in a timely manner or at all.</p> <p>There is a risk that the issue of other small scale items is not adequately monitored to ensure it is within acceptable levels or budgets.</p> <p>(Reputation/Business Process/Financial)</p>	<p>Agree</p> <p>Review/creation of cost codes</p> <p>Include in procedures / training required</p>	<p>PACS Business Manager</p> <p>Finance Section/Shared Services/Operational Managers</p> <p>PACS Business Manager/ DSO/Supervisor</p>	<p>Sept 2013</p> <p>Sept 2012</p> <p>Sept 2012</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
8	<p>No segregation of duties over disposed goods</p> <p>It is recommended that all surplus items should be sent to a central repository to manage the disposal process and ensure segregations from the purchasing responsibilities are met.</p> <p>PACS Management must ensure any items removed from the Register have an accompanying Asset Disposal Advice form. In the event of goods being identified as suitable for spare parts, PACS Management, as an independent reviewer, must authorise such occurrences via formal approval.</p> <p>There should be sufficient detail recorded in the Register to allow reporting of disposed items by Depots.</p>	<p>Very High - Consequence: 5 Likelihood: 4 Total: 9</p> <p>There is an increased risk of fraudulent activities due to a lack of segregations in the disposal process</p> <p>(Reputation/Business Process)</p>	<p>Agree</p>	<p>Operational Managers & Supervisors</p>	<p>Dec 2012</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
9	<p>Missing incident reports accompanying stolen or vandalised goods and stocktaking variances</p> <p>An incident report should accompany any items that have been stolen or vandalised. All items that are misplaced or stolen require recording in the Small & Attractive Items Register, however it was observed that this was not completed in all cases. There is a security incident form that should be filled in and referenced in the Register. Misplaced or stolen items not recorded in the Register cannot be identified during stocktake.</p> <p>Audit recommends the use of pre-numbered acquisition and disposal forms. Each Depot would be provided pre-numbered asset acquisition and disposal forms, and track the status of each form.</p> <p>PACS Management must ensure that all items marked as missing or lost in the Small and Attractive Items Register has an accompanying security form.</p> <p>After each stocktake a copy of the variance report and stock valuation report with "Stocktake Check List" attached should be forwarded to the PACS Management team for perusal and comment. The PACS Management team with the delegated authority should then accept the adjustments or reject the stocktake or part thereof and appoint an independent person to enquire into the deficiency or result.</p>	<p>Medium - Consequence: 2 Likelihood: 4 Total: 6</p> <p>There is a risk that assets misplaced or lost may not be reported accurately.</p> <p>(Business Process/Financial)</p>	<p>Agree</p>	<p>PACS Business Manager and Business Unit Managers</p>	<p>December 2012</p>

Attachment B – Risk Rating

- >6: **High and >8 Very High risk**
 - detailed action plan required
- 5.6: **Medium risk**
 - needs senior management attention
 - specify management responsibility
- <5: **Low risk**
 - manage by routine procedures

High or Extreme risks must be reported to Senior Management and require detailed treatment plans to reduce the risk to **Low** or **Medium**.

	Consequence				
	1	2	3	4	5
	Insignificant	Minor	Moderate	Major	Catastrophic
People	Injuries or ailments not requiring medical treatment.	Minor injury or First Aid Treatment Case.	Serious injury causing hospitalisation or multiple medical treatment cases.	Life threatening injury or multiple serious injuries causing hospitalisation.	Death or multiple life threatening injuries.
Reputation	Internal Review	Scrutiny required by internal committees or internal audit to prevent escalation.	Scrutiny required by external committees or External audit, or inquest, etc.	Intense public, political and media scrutiny. Eg: front page headlines, TV, etc.	Inquiry or Commission of inquiry or adverse national media.
Business Process & Systems	Minor errors in systems or processes requiring corrective action, or minor delay without impact on overall schedule.	Policy procedural rule occasionally not met or services do not fully meet needs.	One or more key accountability requirements not met. Inconvenient but not client welfare threatening.	Strategies not consistent with Government's agenda. Trends show service is degraded.	Critical system failure, bad policy advice or ongoing non-compliance. Business severely affected.
Financial	1% of Budget or <\$5K	2.5% of Budget or <\$50K	> 5% of Budget or <\$500K	> 10% of Budget or <\$5M	>25% of Budget or >\$5M

	Likelihood				
	5	4	3	2	1
	Very Likely	Likely	Possible	Unlikely	Very Unlikely
	6	7	8	9	10
	5	6	7	8	9
	4	5	6	7	8
	3	4	5	6	7
	2	3	4	5	6

Numerical:	Historical:
> 1 in 10	Is expected to occur in most circumstances
1 in 10 - 100	Will probably occur
1 in 100 - 1,000	Might occur at some time in the future
1 in 1,000 - 10,000	Could occur but doubtful
1 in 10,000 - 100,000	May occur but only in exceptional circumstances

Attachment C – Asset Forms



ASSET ACQUISITION ADVICE

This section must be completed whenever Plant, Equipment, Asset or a Portable and Attractive item is purchased. E.g. (Electrical goods, Camera's Chainsaws & Blowers

Depot/Location and Function (e.g. Fyshwick Hort)		Asset Number
Item, Make, Model Number and Description _____		
Purchase Price \$	Serial Number	Purchase Order Number
Supplier		Date of Purchase/...../.....
Purpose: (State if it is a replacement item)		
Note if this is a replacement item the Asset Disposal Advice section must be completed.		
Signature of Action Officer	Signature of Manager	
Date...../...../.....	Date...../...../.....	

ASSET DISPOSAL ADVICE										
This section must be completed whenever disposal action is taken for Plant, Equipment, Asset or a Portable and Attractive item.										
Depot/Location and Function (e.g. Fyshwick Hort)		Asset Number								
Item, Make, Model Number and Description _____	Reason for Disposal _____									
<table style="width: 100%; border: none;"> <tr> <td style="text-align: center; border: none;">Auction</td> <td style="text-align: center; border: none;">Method of Disposal</td> <td style="text-align: center; border: none;">Trade-In</td> <td style="text-align: center; border: none;">Destruction</td> </tr> <tr> <td style="text-align: center; border: none;"><input type="checkbox"/></td> <td style="text-align: center; border: none;"><input type="checkbox"/></td> <td style="text-align: center; border: none;"><input type="checkbox"/></td> <td style="text-align: center; border: none;"><input type="checkbox"/></td> </tr> </table>		Auction	Method of Disposal	Trade-In	Destruction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value of Trade-in \$
Auction	Method of Disposal	Trade-In	Destruction							
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							
Signature of Action Officer	Signature of Manager									
Date...../...../.....	Date...../...../.....									

Attachment D – Small and Attractive Items Register Fields

Asset Class	Asset Type
ICT and Data	Data Collection
Plant and Equipment	Heavy Equipment
Staff Amenity	Kitchen/Cooking
ICT and Data	Office Equipment
ICT and Data	Comms
Fire Specific	Field Equipment
Plant and Equipment	Petrol Power Tools
Plant and Equipment	Electric Power Tools
Plant and Equipment	Hand Tools
Fire Specific	PPE
Fire Specific	Fire Comms
Office Equipment	Furniture
Staff Amenity	Exercise/Gym
Office Equipment	Conference/Meeting
Office Equipment	Display

Sub ID	Asset Sub Type
1	Chainsaw
2	Edge Trimmer
3	Line Trimmer
4	Hedge Trimmer
5	Generator
6	Blower
7	Lawn Mower
8	Pole Saw
9	Drill
10	Water Pump
11	Auger
12	Outboard Engine
13	Other
14	Brush Cutter
15	Spray Rig
16	Cement Mixer
17	Street Vacuum
18	Ladder
19	Jack
20	Wheel Barrow
21	Assorted Hand Tools
22	Trolley
23	Hand Spray pack
24	Oxy Kit
25	Vice
26	Compressor
27	Grinder
28	Drill
29	Saw
30	Grease Gun
31	fridge
32	BBQ
33	Coffee Machine
34	Cooker
35	Dishwasher
36	Microwave
37	Table/Chairs
38	Filing Cabinet
39	Cabinet/Locker
40	Bookshelf
41	Desk
42	Planex
43	Meeting Table
44	Whiteboard
45	Radio Equipment
46	Vacuum
47	Washing Machine
48	Welder
49	Camera
50	Printer
51	GPS
52	Scales
53	Shredder
54	Microscope/Binoculars

Attachment E – Small and Attractive Items Summary

Depot Name	Value of Assets (14 March 2012)	No of Items
Allara St Depot	94,875	163
Athllon Depot	144,933	245
Athllon Depot Carpenter	14,540	51
Belconnen Depot	89,685	181
Bendora	12,909	34
Birragai Outdoor School	19,500	448
Calwell Depot	45,330	72
Charnwood Depot	18,024	42
Fyshwick Depot	45,850	70
Glendale Depot	40,990	120
Googong / Kowen	49,836	123
Gungahlin HS	63,658	200
Kambah Depot	79,016	154
La Trobe Depot	21,356	43
Lake lab	13,640	25
Level 8 Macarthur House	128,663	234
Mitchell Depot	110,084	225
MRC Depot	70,138	181
Namadgi VS	39,330	113
Nicholls Depot	57,649	132
Stromlo Depot	142,394	243
Tidbinbilla NR	105,925	283
No Depot Allocated	94	20
Grand Total	\$1,408,420	3,402

Attachment F – Statement of Responsibility

We take responsibility for this report, which is prepared on the basis of the limitations set out below.

This report has been prepared in accordance with Australian Auditing Standard on Assurance Engagements – “Framework for Assurance Engagements” and subject to the following limitations:

Our procedures were designed to provide limited assurance as defined by the Framework for Assurance Engagements, which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available to the consultant is persuasive rather than conclusive in nature.

Further, the internal control structure of client has not been reviewed and no view is expressed as to its effectiveness.

The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management’s responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.



**Territory and Municipal Services
Directorate
ACT Government**

**Two-Way Radio Management and
Accountability at PATS Depots, City
Rangers and Domestic Animal Services
February 2016**



Engagement History

Stage	Planned Timing	Actual
Engagement plan approved by TAMS	14 September 2015	14 September 2015
Entry interview	21 September 2015	21 July 2015
Fieldwork completed	23 October 2015	23 October 2015
Exit interview	25 November 2015	27 January 2016 *
Management comments received	15 October 2015	29 January 2016
Final report to management	12 November 2015	4 February 2016
Final report to Audit Committee	23 February 2016	23 February 2016

* Note that the delay was due to a change in administrative responsibility for the audit from PATS to ICT.

The engagement was performed as an audit as defined under Australian Standard on Assurance Engagements (ASAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". Our procedures were designed to provide reasonable assurance as defined by ASAE 3000, which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, the use of selective testing, the inherent limitations of internal control and because much of the evidence available to the auditor is persuasive rather than conclusive in nature.

We would like to take this opportunity to thank TAMS staff for their assistance during our audit.

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1. Executive Summary

1.1 Introduction

The ACT Government Territory and Municipal Services Directorate (TAMS) engaged Axiom to conduct an audit of the Two-Way Radio Management and Accountability at Parks and Territory Services Business Group (PATS) Depots, City Rangers and Domestic Animal Services (DAS). This audit was performed during October and November 2015.

1.2 Background

Two-way radios fall under the definition of portable and attractive ICT equipment and are used as a means of communication by staff in the delivery of their daily activities for TAMS, as well as whole of government emergency coordination during specific events. These radios are typically (but not exclusively) used where the remoteness or the geography of the workplace makes for difficulty in securing a reliable mode of communication, or where staff undertake duties alone and are required to maintain communication for work health and safety and/or operational reasons.

Two-way radios can be hand held and portable, be attached to vehicles or comprise table top units kept at depots. A majority¹ of two-way radios in use in PATS are Territory Radio Network (TRN) devices with unit by unit value ranging from \$1,000 to \$4,000 each depending on the age and model of the device.

1.3 Review Objectives, Scope and Criteria

The objectives of this audit were to assess the:

- number and type of two-way radios in use in PATS
- rationale and need for the level of use of two-way radios and if they are deployed appropriately throughout the business
- effectiveness of the protocols in place to issue, track, record, and dispose of two-way radios
- veracity of stocktake, loss and disposal in the portable and attractive items register
- effectiveness of the protocols in place to account for radios on a staff member by staff member basis, whilst they are in use
- compliance with the protocols associated with the management of two-way radios
- appropriate and effective issuance of protocols where none exist, and recommendations of a suitable or best practice methodology for any or all of the above.

A copy of the approved approach is included within this report at **Attachment C**.

The audit considers TAMS two-way radios managed at PATS Depots, City Rangers and DAS. Any other TAMS two-way radios are not in the scope for this audit. However, as most of these radios are also using the TRN, the recommendations and management suggestions outlined in this report could also be applied to their use.

The criteria assessed to review the effectiveness of two-way radio management and accountability for this audit were to address whether:

¹ TRN access is still being implemented for newly acquired two-way radios at the National Arboretum (old UHF radios are currently used).

- two-way radios in use in PATS are accurately recorded on the portable and attractive items register
- the portable and attractive items register is updated on a timely basis to reflect stocktake results, procurement, loss and disposal of radios
- protocols in place (including controls, policies and procedures) to issue, track, record, and dispose of two-way radios are effective, complied with, and address key risks; including assignment of radios to ensure individual staff accountability
- radios are used effectively for operations and deployed appropriately.

1.4 Overall Observations and Conclusion

This audit has identified weaknesses in the control framework for management and accountability over two-way radios. Based on the scope and work undertaken, this audit has identified that:

- Knowledge that TAMS two-way radios operate on a whole-of-government cross-border network is not widely understood within the Directorate.
- There is a lack of segregation of duties in accounting for two-way radios.
- Record-keeping, training and management procedures for two-way radios are inadequate and inconsistently applied.
- Deployment and loss mitigation of two-way radios can be improved to minimise security risks.
- There is a lack of security around storage of two-way radios while not in use.

Data provided on the number of two-way radios has predominantly been sourced from the Stromlo depot registry. No independent verification is provided over the accuracy of these figures.

Feedback received following completion of the audit has established that TAMS intends to centralise its management of two-way radios under ICT to clearly delineate ownership roles and responsibility for the radios and related network infrastructure between TAMS and the ACT Emergency Services Agency (ESA). It is anticipated that TAMS will retain ownership of the radios, ESA of the ACT network, and ICT Shared Services will support procurement and configuration of network infrastructure.

This audit raised 5 key findings with recommendations for TAMS (1 Extreme risk, 3 High risk and 1 Moderate risk). These recommendations have been identified with consideration of TAMS' current resourcing. **Attachment G** contains a list of management suggestions for TAMS to consider. A summary of key findings is provided at **Section 1.5** below:

1.5 Summary of Key Findings

Finding	Risk summary
2.1 Radio fleet, deployment and requirement for use	
Procurement	
High	Section 2.1 / page 10
<p>Finding Topic 1 There is a lack of segregation of duties between procurement functions and the disposal of two-way radios.</p>	<p>Without proper segregation of duties there is an increased risk of two-way radios being used for unauthorised purposes. Unauthorised use could compromise network security and interfere with business as usual and emergency operations.</p>

Finding	Risk summary
Identification and recording, including stocktake	
Extreme	Section 2.1 / page 11
<p>Finding Topic 2 Two-way radios are not accurately and completely recorded on a single, secure portable and attractive items register.</p> <p>Stocktakes are performed annually for two-way radios used by PCS, coordinated by Stromlo depot. Stocktakes are not performed routinely for DAS and City Rangers. The PCS stocktake results (recorded by Stromlo depot staff) are not used to update the TAMS portable and attractive register.</p>	<p>There is a risk that radios may be missing or unaccounted for, and unrecorded two-way radios could be misappropriated and used for unauthorised purposes. Unauthorised use could compromise network security and interfere with business as usual and emergency operations.</p>
Deployment and use of two-way radios	
Med	Section 2.1 / page 13
<p>Finding Topic 3 Policy, procedures and training in relation to the management and accountability of two-way radios are not consistent or adequate:</p> <ul style="list-style-type: none"> • It is unclear whether the <i>Parks and Territory Services – Portable and Attractive Assets Policy</i> applies to other areas of TAMS for the purpose of managing two-way radios. There is no separate policy for DAS and City Rangers. • Inconsistent local procedures are used at PATS depots to manage and account for two-way radios. This includes different procedures for managing and monitoring short and long-term deployment to contractors and volunteers, and reporting radio damage and loss. • There is little or no consultation with the TAMS Security and Emergency Management or Chief Information Officer’s section on procurement, governance, network/service integration, and disposal of two-way radios to ensure procedures appropriately address security and emergency management. • Training in the use and management of two-way radios is generally only provided to staff during a brief session as part of annual fire training. Depending on when they commence employment with TAMS, new staff can be without any form of training for up to 11 months. 	<p>Without adequate procedures and training there is a risk of poor decisions being made in regard to custody and use of two-way radios.</p> <p>This could potentially result in ineffective use of, and interference with, the network during business-as-usual and emergency operations as well as a lack of control over the radios, with greater potential for loss.</p>

Finding	Risk summary
2.2 Condition, physical security and tracking of radios	
Obsolescence and loss management (including tracking)	
High	Section 2.2 / page 18
<p>Finding Topic 4 When two-way radios are not in operational use they are not securely locked away to prevent unauthorised access. Radio assignments to individual operators are also not logged in all depot locations.</p> <p>Lost radios are not tracked and are often not investigated or reported (radios that are subsequently found are also not routinely reported).</p>	<p>Failure to secure and log the assignment of two-way radios can result in an increased risk of unauthorised physical access and a lack of tracking accountability.</p>
2.3 End-of-life and use management	
Deactivation, return and replacement	
High	Section 2.3 / page 21
<p>Finding Topic 5 Two-way radios could still use the network even after they have been inhibited², posing a security risk to TAMS.</p>	<p>There is a risk that radios that are not appropriately disconnected from the network and returned to a central area for disposal could result in unauthorised use of sensitive channels.</p>

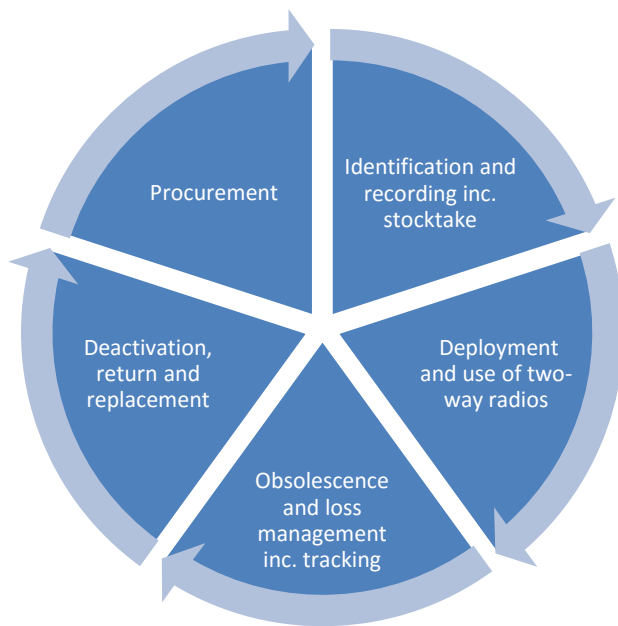
² Inhibiting is the turning off of a two-way radio, such that it is no longer operable. However relatively simple code changes can be made to prevent radios being inhibited.

2. Detailed Findings

Detailed findings of this audit are outlined below. Where applicable, all findings are assessed against ACT Government and TAMS policy requirements. Where there are two or more policies governing the same process, the policy/regulation that contains the stricter or more prescriptive requirement is considered the most authoritative. Jurisdictional analysis to identify best practice is also referenced at **Attachment F** which compares some management and accountability practices for radios or similar devices for selected Australian and overseas entities.

Our assessment of risks for the findings raised adhered to the methodology recommended in the *Australian and New Zealand Risk Management Standard (AS/NZS ISO 31000:2009)*. This standard categorises organisational risks according to their consequence and likelihood. The rating of the risk assessment is based on the ACT Insurance Authority risk matrix, which can be viewed in **Attachment B**. Consequence has been determined by considering risk factors including any potential security threat within Australia.

Five areas of the lifecycle for management of two-way radios were reviewed during this audit to assess the criteria against the objectives and these areas are summarised in the diagram below:



Radio fleet, deployment and requirement for use

1. Procurement – compliance with procurement policies, including adequate controls over configuration of new two-way radios.
2. Identification and recording (including stocktake) of two-way radios – stocktake methodology and frequency as well as record-keeping for two-way radios in the portable and attractive register.
3. Deployment and use of two-way radios – issuance of two-way radios and adequacy of radio fleet and unit capability to meet operational requirements.

Condition, physical security and tracking of radios

4. Obsolescence and loss management (including tracking) – reporting and recording damage, loss or theft of two-way radios, and recovery tracking/maintenance.

End-of-life and general management of devices

5. Deactivation, return and replacement – controls over disposal (including inhibiting and removal from network) and return of two-way radios as well as replacement to fulfil operational needs.

2.1 Radio fleet, deployment and requirement for use

Background

Director-Generals of ACT Government directorates are responsible under section 31(2)(e) of the *Financial Management Act 1996* for ensuring that adequate control is maintained over assets held by the directorate. In this context, the term “assets” is broader than defined for financial reporting and includes portable and attractive items held by a directorate.

Two-way radios (hand held and portable, units attached to vehicles and table top units kept at depots) are used as a necessary means of communication using the TRN³ by staff, volunteers and contractors associated with all PATS depots, City Rangers and Domestic Animal Services (DAS) in the delivery of operations including in relation to park/reserves/facilities management, firefighting, joint emergency operations, domestic animal control and territory events. Radio terminals can be a console within an office, a radio mounted in a vehicle, or a handheld portable radio device.

The TRN is the primary communications system for emergency management across the ACT Government. It is also used for all major PATS operations including prescribed burn activities and vertebrate pest programs as well as routine work programs. The nature of the TRN is that it allows multiple users to monitor conversations and is a vital tool for maintaining situational awareness and for worker health and safety. The TRN is part of the NSW Government Radio Network (GRN) – refer **Attachment D** for more information about the network.

The radios are typically (but not exclusively used) where the remoteness or the geography of the workplace makes for difficulty in securing a reliable mode of communication, or where staff undertake duties alone and are required to maintain communication for work health and safety or operational reasons (refer **Attachment D** for information on the benefits of using two-way radios).

The radios are used in both rural and urban areas of the ACT. They are also used across the border in areas such as Googong and Bimberi Wilderness area and during interstate firefighting operations. Two-way radios used by City Rangers and Domestic Animal Services were acquired second-hand from ACTION. A large purchase of two-way radios was made in 2004 for use by Parks and Conservation Service (PCS) depots following the 2002/03 ACT fires. Smaller purchases of radios have been made since then.

The two-way radios used are mainly Motorola XTS 5000, APX 6000 and 7000 series models. Within two years, Motorola will no longer be supporting the XTS series (most of the TAMS radio fleet are XTS models).

Two-way radios each have a value under the TAMS \$5,000 asset capitalisation threshold and are expensed in the financial year in which they are acquired. However as they are susceptible to theft or loss due to their portable nature and attractiveness for use or resale, TAMS is required to ensure it has arrangements in place to identify and control these items as part of an effective risk management and internal control strategy⁴. This must include arrangements to:

- manage operational risks to an acceptable level including ensuring that portable and attractive items are adequately monitored and protected against theft or loss; and
- balance the benefits of maintaining greater control against the administrative costs.

The *Parks and Territory Services – Portable and Attractive Assets Policy* sets out the requirements for management and accountability over portable and attractive items in PATS including two-way radios. In terms of supporting equipment for two-way radios, battery packs commonly need replacing and often move between depots/become lost or misplaced following joint programs. This can prove

³ The TRN is part of the NSW Government Radio Network (GRN) – refer **Attachment D** for more information about the network.

⁴ Under section 2.1 of the *ACT Accounting Policy – Portable and Attractive Items*.

problematic when batteries with sufficient power for radios are not available to support operational use.

The Stromlo depot centrally manages and organises procurement, stocktake, repair and disposal for the majority of two-way radios held by TAMS (those assigned to PCS activities). City Rangers and DAS have low stocks of radios and have not fully formed management arrangements for these items.

Finding Topic 1: Procurement

1.1 There is a lack of segregation of duties between procurement functions and the disposal of two-way radios⁵.

- All arrangements to procure and dispose of two-way radios used by PCS depots are made by Stromlo depot⁶. Stromlo depot maintains the only listing of PCS two-way radios and can order, receipt, pay for, as well as arrange for disposal and repair of radios. There are incomplete details entered into the Stromlo managed listing for each procured two-way radio. This includes asset number, call sign, location of radio, and model details. For example, a portable two-way radio identified as belonging to Stromlo depot is not recorded on the full register listing rather on a subsidiary listing.

1.2 Procurement timing is effective however feature kits and coordination with other network users could be improved.

- The specification for current features in relation to TAMS two-way radios (and other radios) to be used on the TRN is provided to Motorola by the ACT Radio Architect within Shared Services/Emergency Services Agency (ESA)⁷. There is no involvement with TAMS Corporate in this process.
- Unlike the Motorola APX 8000 series two-way radios, the recently procured Motorola APX 7000 series (and older Motorola APX 6000 series) do not enable wireless software (reprogramming) updates and in-building tracking information to be recorded in a database.
- Only the APX series radios (not the older XTS series radios which are predominantly used within PCS) are able to be tracked (refer 2.2 below for more information on tracking capability). With the exception of PCS, the APX series is the only TRN series used by other TAMS business areas⁸.

Implication and risk

- Two-way radios could be incorrectly reported or misappropriated without being detected.
- Feature kits may not be optimal for use on the network and to support on-ground operations and tracking.
- Without proper segregation of duties there is an increased risk of two-way radios being used for unauthorised purposes. Unauthorised use could compromise network security and interfere with business as usual and emergency operations.

⁵ Segregation of duties usually includes separating purchase order creation from approval, requisition ordering from receipt of goods, requisition ordering from payment of invoices, receipt of goods from the payment of invoices, and receipt of goods from recording disposal or return of goods.

⁶ It is noted that Stromlo depot is responsible for coordinating all fire management activities for TAMS.

⁷ ESA is the governing body for the ACT Ambulance Service, ACT Fire and Rescue, ACT Rural Fire Service and ACT State Emergency Service.

⁸ DAS and City Rangers use the Motorola APX 6000 series.

Risk Rating

Risk Rating: High	
Consequence: Major (4)	Likelihood: Possible (3)

Recommendation 1	Audit recommends that procurement and disposal functions be properly segregated and centrally coordinated.
Management Comments	David Roulston, CIO – this equipment will be managed in the same way other ICT equipment is managed using existing processes and procedures.
Responsible Officer	David Roulston, TAMS Chief Information Officer – Director AIMS
Timing for Completion	September 2016

Finding Topic 2: Identification and recording (including stocktake)

2.1 Two-way radios are not completely recorded in a register.

The *ACT Accounting Policy – Portable and Attractive Items* requires:

- the portable and attractive register for TAMS to include all portable and attractive items held by TAMS⁹
- stocktakes to be performed for all portable and attractive items at least annually¹⁰ segregation between maintaining the record of portable and attractive items and performing the stocktake¹¹.

2.1.1 Two-way radios are not accurately and completely recorded on a single, secure portable and attractive items register:

- There are currently no two-way radios recorded on the TAMS portable and attractive register. It is acknowledged that a large acquisition of two-way radios in 2004 (after the 2002 and 2003 fires in Canberra) occurred prior to the TAMS-wide implementation of the register.
- Audit observed that the management of DAS and City Rangers have recorded 18 two-way radios (portable and vehicle mounted radios).
- A separate registry for two-way radios used by PCS is maintained in an Excel spreadsheet by Stromlo depot to record acquisitions and disposals of two-way radios (as well as stocktake

⁹ Section 2.5 *ACT Accounting Policy – Portable and Attractive Items*

¹⁰ Subsection 2.6.1 *ACT Accounting Policy – Portable and Attractive Items*

¹¹ Subsection 2.6.2 *ACT Accounting Policy – Portable and Attractive Items* states that *...the person assigned to perform the stocktake must not maintain the portable and attractive register*. As the registry is the only register of PCS two-way radios, Stromlo depot staff should not be performing the stocktake.

results for PCS)¹². The PCS registry identifies that there is a total of 333 two-way radios used by PCS excluding two-way radios currently recorded as lost (the total including lost is 377 radios¹³). Of the 333 located radios, there are 178 portable, 30 at ranger sites/depots and 125 mounted in vehicles. It appears there is a mixture of Motorola XTS and Motorola APX (APX 6000 and 7000) models, however the model details are not identified clearly in this listing. An outdated listing of call signs for all two-way radios used by TAMS is also held by the Security and Emergency Management section; however this listing does not identify asset numbers and lost radios and PCS radios do not reconcile to the listing held by Stromlo.

Table 1 Two-way radio fleet in PCS, DAS and City Rangers

TAMS Area	Number of two-way radios	Number of lost two-way radios
DAS and City Rangers	18	0
PCS	377	44 (33 portable, 8 vehicle and 3 base station)
Total for PCS, DAS and City Rangers	395¹⁴	44

2.1.2 Stocktakes are performed annually for two-way radios used by PCS, coordinated by Stromlo depot. Stocktakes are not performed routinely for DAS and City Rangers. The PCS stocktake results (recorded by Stromlo depot staff) are not used to update the portable and attractive register.

- Spot checks are also performed at different intervals by some depots. The Mitchell depot undertakes spot checks monthly to confirm the location of radios, while Namadgi undertakes its own independent 12 month spot check of its radio fleet.

2.2 Two-way radios and batteries require simple, visible and durable coding on the outside of each device (in addition to barcode numbers under the radio battery packs) for easy identification and appropriate deployment.

- Many depot staff interviewed, considered that highly visible coding was essential. For example, tags could be attached to the aerial or coloured durable stickers attached to the outside of each two-way radio. This would enable easy identification of radios and correct deployment.
- Audit observed that there were a number of depots where batteries are either not available or have inadequate power. This is partly due to instances of transfers to other depots following joint programs.

Implication and risk

- TAMS will not hold an accurate record of two-way radios it has purchased and may therefore not be able to confirm the radio fleet to be able to maintain proper control over two-way radios as is required under section 31(2)(e) of the *Financial Management Act 1996*. Any loss, misuse, misappropriation or theft is less likely to be detected.
- Two-way radios may not be available for use to adequately support operations.

¹² This listing does not include all details of two-way radios, including asset and ID numbers, model type and call signs.

¹³ As a comparison NSW National Parks and Wildlife Service has approximately 2000 mobile and portable two-way radios.

¹⁴ Data provided on the number of two-way radios has predominantly been sourced from the Stromlo depot registry. No independent verification is provided over the accuracy of these figures.

- There is a significant risk that unrecorded two-way radios could be misappropriated and used for unauthorised purposes.

Risk Rating

Risk Rating: Extreme	
Consequence: Major (4)	Likelihood: Very Likely (5)

Recommendation 2	Audit recommends that all two-way radio units in the TAMS radio fleet be identified by: <ul style="list-style-type: none"> a) recording all two-way radios on the portable and attractive items register. This would include the ID number, barcode and any depot tag coding. All radios should be governed by a barcode process b) undertaking annual stocktakes for all TAMS two-way radios. There should also be random spot check stocktakes throughout the year c) update the portable and attractive register to reflect disposals of radios or transfers d) ensuring stocktake activities are conducted by independent officers not involved with the procurement and registration of radios.
Management Comments	David Roulston, CIO – Other CIOs have advised that this equipment is an ICT Asset and as such the recommendation is supported.
Responsible Officer	David Roulston, TAMS Chief Information Officer – Director AIMS
Timing for Completion	September 2016

Finding Topic 3: Deployment and use of two-way radios

3.1 Policy, procedures and training in relation to the management and accountability of two-way radios are not consistent or adequate.

3.1.1 It is unclear whether the *Parks and Territory Services – Portable and Attractive Assets Policy* applies to other areas of TAMS for the purpose of managing two-way radios. There is no separate policy for DAS and City Rangers.

3.1.2 Inconsistent local procedures are used at PATS depots to manage and account for two-way radios. This includes different procedures for managing and monitoring short and long-term deployment to contractors and volunteers and reporting (or not reporting) of radio damage and loss.

- PATS depots outline procedures in either documented form (e.g. Mitchell depot's *Procedures for Tracking Portable TRN Radios within Urban Reserves* and Tidbinbilla's *Radio log out*)

procedure) or verbal form (such as Stromlo's explanation to staff of radio allocation and sign-out arrangements).

- The Security and Emergency Management section are also developing draft guidelines to address proper management of two-way radios.

3.1.3 There is little or no consultation with the TAMS Security and Emergency Management or Chief Information Officers section¹⁵ on procurement, governance, network/service integration, and disposal of two-way radios to ensure procedures appropriately address security and emergency management.

- A recent security review¹⁶ identified a threat to security over two-way radios requiring a standardised approach to issuing and accounting for radios.

3.1.4 Training in the use and management of two-way radios is generally only provided to staff during a brief session within the annual pre-season fire training (about 20 minutes). Depending on when staff commence employment with TAMS, staff can be using two-way radios without training for up to 11 months.

3.2 Two-way radios are used effectively for normal operations, however network coverage could be improved to assist with remote operations.

- The trunked radio network is important for TAMS in remote areas of the ACT from both a coverage and safety perspective. It also supports sensitive day and night joint programs, cross-border and interstate operations, including collaboration with search and rescue and emergency services. In urban and suburban areas with mobile coverage, activities undertaken by officers in PCS, DAS and City Rangers rely on the TRN for general and sensitive operations, particularly when the mobile phone network is unavailable during high use periods.
- Contractors use the two-way radios for work health and safety reasons, including when working alone on tasks such as driving bulldozers, weed-spraying and feral pest management. Some roadwork contractors are assigned two-way radios for long periods, ranging from months to years. Volunteers from partnership organisations such as volunteer firefighters and Conservation Volunteers Australia work independently or alongside TAMS staff on various fire and other management activities.
- There is either complete coverage or limited coverage areas in Tidbinbilla, Googong, Upper Cotter catchment and the Bimberi Wilderness Area. Two-way radio users have limited or a complete lack of coverage to communicate with the base station and other two-way radio users¹⁷ whilst working in these areas. The only exception is when a portable repeater¹⁸ is set up to extend the coverage range¹⁹. Some coverage issues in relation to two-way radio use in vehicles may be related to incorrectly installed two-way radio equipment, including antennas²⁰.
- Use of the portable two-way radios out in the field makes the radios more susceptible to deterioration and damage. Although portable two-way radios are quite durable for field activities, damage can more easily occur when portable units are not physically attached to

¹⁵ This section has responsibility for strategic coordination of security and emergency management for the Directorate..

¹⁶ Agilent Pty Ltd. *Enterprise Security Risk Assessment Relating to the Territory and Municipal Services (TAMS) Estate*. 2015.

¹⁷ However, where two or more two-way radios are being used in simplex mode, this allows the other radio to be located using latitude and longitude coordinates.

¹⁸ A repeater is an automatic radio-relay station device that receives and re-transmits a weak or low-level signal with increased power from a higher elevation to extend the distance of coverage range without degradation.

¹⁹ TAMS currently owns two portable repeaters which can be transported on the back of vehicles to required locations to improve coverage.

²⁰ From information obtained from the ACT Radio Architect based on ESA experience with the two-way radio coverage in emergency services vehicles.

an operator (this can lead to radio units being dropped, suffering fire damage or being run over by vehicles).

Implication and risk

- Adequate control (including personal accountability) over two-way radios may not be maintained as is required under section 31(2)(e) of the *Financial Management Act 1996*.
- There may be work health and safety ramifications for TAMS personnel, contractors and volunteers working away from vehicles²¹ and in areas without complete two-way radio coverage, for example when it is not possible to communicate an emergency situation or the location of a fire. The effectiveness of operations could also be adversely impacted, such as during firefighting operations in these areas.
- Without adequate procedures and training there is a risk of poor decisions being made in regard to custody and use of two-way radios. This could potentially result in ineffective use of, and interference with, the TRN/GRN during operations as well as a lack of control and greater potential for loss.

Risk Rating

Risk Rating: Medium	
Consequence: Moderate (3)	Likelihood: Possible (3)

Recommendation 3	<p>Audit recommends that:</p> <ol style="list-style-type: none"> a) two-way radios be managed in accordance with a centrally promulgated and approved policy on portable and attractive items (this could be based on the <i>Parks and Territory Services – Portable and Attractive Assets Policy</i>) b) a single set of radio management procedures be developed for use by all TAMS depots, including instructions and templates governing assignment to contractors/volunteers and mandatory reporting by all users of loss/damage. These procedures should be reviewed to ensure there is alignment with the governing policy on portable and attractive items c) the policy and procedures used to manage two-way radios are reviewed by the TAMS Security and Emergency Management section to ensure they appropriately address security and emergency management d) annual training be provided to all TAMS radio users, including separate training to contractors/volunteers. New employees and contractors/volunteers should be provided with training prior to being assigned a radio (as a condition of assignment).
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²¹ CB Radio is available for use in all areas within TAMS vehicles.

Management Comments	<p>David Roulston, CIO (Recommendations 3a, 3b) – Development of this documentation with guidance and support from the business units is fully supported.</p> <p>Chris Mooney, ASA (Recommendations 3b,3c,3d)</p> <p>3b) Agreed. The Security and Emergency Management Group will develop a policy document for governance of TAMS two-way radios. This will contain standardised procedures for operation and use.</p> <p>3c) Agreed. The Security and Emergency Management Group will conduct a review of business areas using two-way radios and identify any gaps in their procedures.</p> <p>3d) Agreed. The Security and Emergency Management Group will develop a training package on two-way radio governance and operation. Training will be provided on engagement by business areas.</p>
Responsible Officer	<p>Chris Mooney, Agency Security Advisor and Senior Manager, Security and Emergency Management</p> <p>David Roulston, TAMS Chief Information Officer – Director AIMS</p>
Timing for Completion	<p>3a) September 2016</p> <p>3b) December 2016</p> <p>3c) August 2016</p> <p>3d) December 2016</p>

2.2 Condition, physical security and tracking of two-way radios

Background

To prevent financial loss and to ensure appropriate and secure use of the radio network based on its sensitivity²², it is imperative that the safe custody of two-way radios is ensured by TAMS. Radios must be protected against theft, unauthorised access, illicit use, compromise, unauthorised modification or intentional damage.

PCS stocktake activity has identified significant loss of two-way radios, initially 50 units were found to be missing and following a further stocktake exercise by depots this number was reduced to a total of 44 lost two-way radios (all non APX series). 30 of these were known to be lost prior to 2013.

33 (75%) of the lost two-way radios are portable, 8 are attached to vehicles and 3 are two-way radios at base stations (refer Table 2). Just under half of all lost two-way radios were identified as being located at remote depots prior to going missing (refer Table 2) and were likely used for more remote operations. Approximately 40% (17) were identified as located at Stromlo depot prior to going missing, and were used for field and fire operations, some being identified as 'spare radios'.

Table 2 Lost two-way radios

Assigned location	Number of radios lost	Type
All remote depots	20	
Namadgi	5	4 portable 1 vehicle
Tidbinbilla	12	9 portable 1 vehicle 2 base station
Bendora	1	portable
Cotter	1	portable
Googong	1	portable
Other depots	20	
Stromlo	17	15 portable 2 vehicle
Athlon	1	vehicle
Gungahlin (Conservation Planning and Research)	2	1 portable 1 site
Unassigned	4	1 portable 3 vehicle
Total for PCS, DAS and City Rangers	44	33 portable 8 vehicle 3 base station/site

Timely loss reporting, follow up investigation and tracking is critical to locating lost radios. There is also a need in identifying liability²³, addressing causes of two-way radios going missing to mitigate further loss. Confirming ID numbers that need to be removed from the network to protect against the risk of unauthorised access to sensitive channels is also critical.

²² Through TAMS' use of the GRN (governed in the ACT by the ESA under the name 'TRN'), voice communications are shared with territory and interstate emergency services counterparts.

²³ For example, the AFP institutes inquiry procedures on receipt of a loss report. At the outset of the inquiry the official who had nominal custody of property at the time of the loss is advised that they could be liable to pay an amount equal to the loss and that if he or she believes that they took reasonable steps in all of the circumstances to prevent the loss, they should prepare a report detailing their actions so that their liability can be properly assessed during the course of the investigation. When the inquiry is completed, the findings are reported to the CFO with a recommended course of action, that the loss of public property should: be pursued in full as a debt to the Commonwealth, not be pursued on the grounds that they believe the money is not legally recoverable, or be pursued as a reduced amount, on the grounds that they believe that the full loss would not be legally recoverable but that a lesser amount, which is just and equitable having regard to the circumstances, could be recoverable. A security incident report is completed following the inquiry. (AFP National Guideline on loss of public money or property)

To date, TAMS has not undertaken any tracking of lost two-way radios in its radio fleet as they are unaware of any existing tracking capability.

Finding Topic 4: Obsolescence and loss management (including tracking)

4.1 Two-way radios are not all secured to prevent unauthorised access when not in use. Radio assignments to individual operators are not logged in all districts. Lost radios are not tracked and are often not investigated or reported (radios that are subsequently found are also not routinely reported).

- When staff are on-call (such as during fire season) there is often a need to take the two-way radios home.
- Reasons for the loss of two-way radios are not often identified (including not being recorded in a register). This indicates a general lack of investigation of why two-way radios go missing. Depot managers and staff were only able to identify the following known/general causes of missing radios:
 - potential misplacement of some two-way radios such as within vehicles or field kits
 - one theft of a vehicle, including the two-way radio attached to the vehicle
 - possible loss due to two-way radios not being properly removed from vehicles prior to return
 - one two-way radio being used by Conservation Volunteers Australia, unable to be located
 - theft in past years by pig hunters
 - probable loss during field operations, including during the fire season.
- Many depots²⁴ do not utilise locked storage cabinets for two-way radios when they are not in use. There is also a need for any lockable cabinet to have adequate ventilation for the battery bank.
- Stromlo and Mitchell depots have implemented locked storage for two-way radios when they are not in use and strong controls regarding logging daily assignment of radios. Stromlo depot also allows some long-term assignment of two-way radios to contractors. Other depots are unable to identify where individual radios are assigned during general operations.
- TAMS staff consider that there is no current tracking functionality for any of the two-way radios. Motorola XTS 5000 radios are unable to be tracked, however APX series radios can be tracked using the bus tracking system²⁵.
- There is no general culture to report lost radios, as often staff expect the radios will eventually reappear. Radios are considered misplaced during field operations, with no significant internal consequence if this occurs. For example an XTS 5000 radio was found in the field after more than a year and depot staff were quite pleased that the radio was still operational. As a consequence, misappropriation or theft of two-way radios is not always detected in a timely manner and associated action taken to prevent misuse. For example, when a contractor retained use of a two-way radio for a number of months past the contract period, it was thought the radio had just been returned to another depot following a joint operation.
- There is no consistent procedure for the 'pooling' of two-way radios for use outside of the 'home' depot during joint programs, including for firefighting, community events and kangaroo management. However Stromlo depot have instituted an effective and efficient sign out/in

²⁴ Examples include Namadgi, Googong, Tidbinbilla and Murrumbidgee depots.

²⁵ This was the tracking system used by ACTION and is currently installed at the Winchester police station in Belconnen. Use of the bus tracking system will enable GPS location to approx. 20 metres provided that the two-way radio has a clear view of the sky and in not inside a building or under dense tree cover or in temperature extremes outside the operating limits of the radio.

process for their two-way radios being used during joint events. Each individual operator assigned a radio is recorded by one manager in charge of the event on a specific log against each radio number²⁶.

4.2 The number of two-way radios available to support operations during busy periods when radios are in for repair is not always sufficient.

- Some depot staff interviewed identified that during peak use, two-way radios are often in for repair impacting on the ability to conduct operational activities. Depots did not receive information from the Stromlo depot on how long they would be without radio(s) to assist with operational planning such as replacement contingencies.

Implication and risk

- Adequate control (including personal accountability) over two-way radios may not be maintained as is required under section 31(2)(e) of the *Financial Management Act 1996*.
- Costly replacement of misplaced two-way radios (up to \$5,000 per unit).
- There may be insufficient radios to meet operational requirements.
- Failure to secure and log the assignment of two-way radios can result in an increased risk of unauthorised physical access and a lack of tracking accountability. There is also a security exposure due to instances of theft and/or loss of two-way radios. Unauthorised use of the network could compromise community safety or TAMS operations.

Risk Rating

Risk Rating: High	
Consequence: Major (4)	Likelihood: Likely (4)

Recommendation 4	<p>Audit recommends that TAMS:</p> <ol style="list-style-type: none"> a) ensure two-way radios that are not in use are secured in a ventilated locked cabinet at depots – TAMS may wish to consider a card scanning (locked) access system²⁷ b) assign two-way radios only to specifically authorised users and restrict some radios for contractor/volunteer use only - these radios should be configured with restricted network access to reduce network security exposure²⁸
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²⁶ It took about 5 minutes to individually assign approx. 12 two-way radios for the 2015 Tidbinbilla Extravaganza and this process could be used for most emergency and non-emergency operations.

²⁷ A secure storage option with scan access, such as an Electronic Key Security Cabinet would allow fast access and sign out of two-way radios to staff when required and an audit trail of removal of two-way radios from the cabinet. TAMS Security and Emergency Management have assisted with implementation of similar systems across sites.

²⁸ Security risk pertains to the ability to access sensitive channels on the network.

	<p>c) assign all other radios at depots to individual staff on a primary basis unless specifically assigned in exceptional or pooling²⁹ circumstances</p> <p>d) develop a standard 'pooling procedure' to manage two-way radios during a joint event:</p> <ul style="list-style-type: none"> • assign two-way radios to an authorised 'event manager'. The manager of the event would sign out/in specific radios to individual authorised operators using an 'event log' • during firefighting operations the event manager could assign portable two-way radios to specific vehicles³⁰. • following the completion of the event all radios must be signed as sighted by the event manager and returned to the relevant depots/primary users <p>e) replace XTS series two-way radios with trackable APX series radios. In the short term, assign APX series radios to contractors and users working in remote areas</p> <p>f) use the 'ACTION bus tracking' system for GPS tracking of APX series two-way radios by ID number when reported lost or to support general monitoring of use ³¹</p> <p>g) require all lost radios to be immediately reported to the TAMS Security and Emergency Management section using the approved 'Security Incident Report Form' as per current policy. Asset replacement should only occur based on operational requirements and advice from asset management</p> <p>h) maintain a central listing of two-way radio ID numbers and network talkgroups³²/restrictions for each radio in the register to monitor and periodically review radio configuration, assignments and general use.</p>
<p>Management Comments</p>	<p>David Roulston, CIO (Recommendations 4a,4b,4c,4d,4e,4g) – all CIO actions are supported and can be completed with assistance of all stakeholders.</p> <p>Chris Mooney, ASA (Recommendations 4f,4h)</p> <p>4f) Agreed-in-principle. Due to machinery of government changes, ACTION is due to be integrated into the new Transport Canberra agency in 2016. MotoLocator software should be installed on a workstation at the Ron Reynolds Centre (subject to funding) to allow this recommendation to be agreed in full.</p> <p>4h) Agreed. A master list is kept of all APX-series radios by the Security and Emergency Management Group with the intention to include XTS-series radios. These lists, radio configurations, and assignments will undergo an annual review.</p>

²⁹ The term 'pooling' refers to combining the radio fleet located at different depots for the purposes of distributing to staff, contractors and volunteers involved in joint programs, such as for fire management and kangaroo management.

³⁰ The records of the Incident Management Team could be used to account for shift changes in relation to vehicles in order to track custody of the two-way radios assigned to the vehicles.

³¹ As an interim tracking solution for APX series two-way radios, TAMS could enter into an agreement with ACT police to use the tracking system at the Winchester Centre until the tracking system can be installed in a location such as the new Local Disaster Coordination Centre.

³² The 'talkgroup' feature is only available in trucked radio systems such as the TRN/GRN where the system automatically selects the physical radio frequency channel and relays by 'group'. Unlike communicating via preprogrammed channels, radio users can listen and talk simultaneously. This is because the communication operates on two frequencies, one to transmit and one to receive. This means that users in a group can have a real-time discussion. The 'talkgroup' feature requires an encryption key so that only people selected for that particular 'group' can receive and transmit messages in relation to the talkgroup.

Responsible Officer	Chris Mooney, Agency Security Advisor and Senior Manager, Security and Emergency Management David Roulston CIO and Director AIMS
Timing for Completion	4a) September 2016 4b) September 2016 4c) September 2016 4d) September 2016 4e) September 2016 4f) December 2016 4g) September 2016 4h) December 2016

2.3 End-of-life and general management of devices

Background

End-of-life of two-way radios may pose a security risk. It is of the utmost importance to ensure there is no ongoing unauthorised use of the TRN/GRN network (refer **Attachment E** for further information on the network). The current policy implemented by TAMS is to inhibit³³ any two-way radios that are missing after each stocktake.

Finding Topic 5: Deactivation, return and replacement

5.1 Two-way radios can sometimes still use the network even after they have been inhibited³⁴, posing a security risk.

- Two-way radios are able to be re-coded to prevent inhibition and will still allow use of the network if not properly disconnected from the network.
- To ensure there is no unauthorised access to the network the radios must be reconfigured such that the network cannot be accessed. For further information on how the network is accessed refer to **Attachment E**.

5.2 Two-way radios that have been located during stocktake have been incorrectly inhibited.

- Two-way radios being used for remote operations (Namadgi depot) were mistakenly inhibited following the 2015 stocktake. This deactivation impacted on field operations for a short period until the two-way radios could be uninhibited.

³³ Turn off of a two-way radio, such that it is no longer operable.

³⁴ Inhibiting is the turning off of a two-way radio, such that it is no longer operable. However relatively simple code changes can be made to prevent radios being inhibited.

Implication and risk

There is a risk that radios that are not appropriately disconnected from the network and returned to a central area for disposal could result in unauthorised use of sensitive channels.

Risk Rating

Risk Rating: High	
Consequence: Major (4)	Likelihood: Possible (3)

Recommendation 5	<p>Audit recommends TAMS:</p> <ol style="list-style-type: none"> a) ensure the task of disabling two-way radios is undertaken centrally by appropriately trained personnel who are not also involved in field operations b) perform a reconciliation at least once a year that compares registered ID numbers on the network with the TAMS portable and attractive items register to ensure there are no duplicate or other ID numbers being used to gain unauthorised access to the network c) when a two-way radio is reported lost, immediately: <ul style="list-style-type: none"> • investigate the loss to establish cause and control improvements if applicable • inhibit the device if it is a Motorola XTS 5000 series and remove the ID number from the network or reassign to a replacement APX series device • track the device if it is a Motorola APX series radio and only inhibit and remove or reassign the ID number if unable to be located. • ensure the portable and attractive register is updated accordingly and any disabling of radios and replacement of equipment is reported centrally and is managed in a timely manner.
Management Comments	<p>5a) Agreed. This is already an informal process when a Security Incident Report Form is received by the Security and Emergency Management Group. This responsibility will be formalised in the new two-way radio policy document.</p> <p>5b) Agreed. The Security and Emergency Management Group will coordinate with Divisional Business Managers to undertake an annual reconciliation.</p> <p>5c) Agreed. This is already an informal process when a Security Incident Report Form is received by the Security and Emergency Management Group. This responsibility will be formalised in the new two-way radio policy document.</p>
Responsible Officer	Chris Mooney, Agency Security Advisor and Senior Manager, Security and Emergency Management
Timing for Completion	December 2016

Attachment A – Recommendation Summary

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimated Completion Date
Radio fleet, deployment and requirement for use					
1	<p>Procurement</p> <p>Audit recommends that procurement and disposal functions be properly segregated and centrally coordinated.</p>	<p>High - Consequence: 4 Likelihood: 3</p> <p>Without proper segregation of duties there is an increased risk of two-way radios being used for unauthorised purposes.</p> <p>Unauthorised use could compromise network security and interfere with business as usual and emergency operations.</p>		David Roulston, TAMS Chief Information Officer – Director AIMS	Sept 2016
2	<p>Identification and recording, including stocktake</p> <p>Audit recommends that all two-way radio units in the TAMS radio fleet be identified by:</p> <ul style="list-style-type: none"> a) recording all two-way radios on the portable and attractive items register. This would include the ID number, barcode and any depot tag coding. All radios should be governed by a barcode process b) undertaking annual stocktakes for all TAMS two-way radios. There should also be random spot check stocktakes throughout the year 	<p>Extreme - Consequence: 4 Likelihood: 5</p> <p>There is a risk that <i>radios</i> may be missing or unaccounted for, and unrecorded two-way radios could be misappropriated and used for unauthorised purposes.</p>		David Roulston, TAMS Chief Information Officer – Director AIMS	Sept 2016

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimated Completion Date
	<ul style="list-style-type: none"> c) update the portable and attractive register to reflect disposals of radios or transfers d) ensuring stocktake activities are conducted by independent officers not involved with the procurement and registration of radios. 				
3	<p><i>Deployment and use of two-way radios</i></p> <p>Audit recommends that:</p> <ul style="list-style-type: none"> a) two-way radios be managed in accordance with a centrally promulgated and approved policy on portable and attractive items (this could be based on the <i>Parks and Territory Services – Portable and Attractive Assets Policy</i>) b) a single set of radio management procedures be developed for use by all TAMS depots, including instructions and templates governing assignment to contractors/volunteers and mandatory reporting by all users of loss/damage. These procedures should be reviewed to ensure there is alignment with the governing policy on portable and attractive items c) the policy and procedures used to manage two-way radios are reviewed by the TAMS Security and Emergency Management section to ensure they appropriately address security and emergency management d) annual training be provided to all TAMS radio users, including separate training to contractors/volunteers. New employees and contractors/volunteers should be provided with training prior to being assigned a radio (as a condition of assignment). 	<p>Medium - Consequence: 3 Likelihood: 3</p> <p>Without adequate procedures and training there is a risk of poor decisions being made in regard to custody and use of two-way radios. This could potentially result in ineffective use of, and interference with, the TRN/GRN during operations as well as a lack of control and greater potential for loss</p>		<p>Chris Mooney, Agency Security Advisor and Senior Manager, Security and Emergency Management</p> <p>David Roulston, TAMS Chief Information Officer – Director AIMS</p>	<p>3a) Sept 2016</p> <p>3b) Dec 2016</p> <p>3c) Aug 2016</p> <p>3d) Dec 2016</p>
<i>Condition, physical security and tracking of radios</i>					
4	<p><i>Obsolescence and loss management (including tracking)</i></p> <p>Audit recommends that TAMS:</p>	<p>High - Consequence: 4 Likelihood: 4</p>		Chris Mooney,	<p>4a) Sept 2016</p> <p>4b) Sep 2016</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimated Completion Date
	<p>a) ensure two-way radios that are not in use are secured in a ventilated locked cabinet at depots – TAMS may wish to consider a card scanning (locked) access system</p> <p>b) assign two-way radios only to specifically authorised users and restrict some radios for contractor/volunteer use only - these radios should be configured with restricted network access to reduce network security exposure</p> <p>c) assign all other radios at depots to individual staff on a primary basis unless specifically assigned in exceptional or pooling circumstances</p> <p>d) develop a standard 'pooling procedure' to manage two-way radios during a joint event:</p> <ul style="list-style-type: none"> • assign two-way radios to an authorised 'event manager'. The manager of the event would sign out/in specific radios to individual authorised operators using an 'event log' • during firefighting operations the event manager could assign portable two-way radios to specific vehicles. • following the completion of the event all radios must be signed as sighted by the event manager and returned to the relevant depots/primary users <p>e) replace XTS series two-way radios with trackable APX series radios. In the short term, assign APX series radios to contractors and users working in remote areas</p> <p>f) use the 'ACTION bus tracking' system for GPS tracking of APX series two-way radios by ID number when reported lost or to support general monitoring of use</p> <p>g) require all lost radios to be immediately reported to TAMS Security and Emergency Management section using the approved 'Security Incident Report Form' as per current policy. Asset replacement should only occur based on operational requirements and advice from asset management</p>	<p>Failure to secure and log the assignment of two-way radios can result in an increased risk of unauthorised physical access and a lack of tracking accountability.</p>		<p>Agency Security Advisor and Senior Manager, Security and Emergency Management</p> <p>David Roulston, TAMS Chief Information Officer – Director AIMS</p>	<p>4c) Sept 2016</p> <p>4d) Sept 2016</p> <p>4e) Sept 2016</p> <p>4f) Dec 2016</p> <p>4g) Sept 2016</p> <p>4h) Dec 2016</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimated Completion Date
	h) maintain a central listing of two-way radio ID numbers and network talkgroups/restrictions for each radio in the register to monitor and periodically review radio configuration, assignments and general use.				
End-of-life and general management of devices					
5	<p>Deactivation, return and replacement</p> <p>Audit recommends TAMS:</p> <p>d) ensure the task of disabling two-way radios is undertaken centrally by appropriately trained personnel who are not also involved in field operations</p> <p>e) perform a reconciliation at least once a year that compares registered ID numbers on the network with the TAMS portable and attractive items register to ensure there are no duplicate or other ID numbers being used to gain unauthorised access to the network</p> <p>f) when a two-way radio is reported lost, immediately:</p> <ul style="list-style-type: none"> investigate the loss to establish cause and control improvements if applicable inhibit the device if it is a Motorola XTS 5000 series and remove the ID number from the network or reassign to a replacement APX series device track the device if it is a Motorola APX series radio and only inhibit and remove or reassign the ID number if unable to be located. ensure the portable and attractive register is updated accordingly and any disabling of radios and replacement of equipment is reported centrally and is managed in a timely manner. 	<p>High - Consequence: 4 Likelihood: 3</p> <p>There is a risk that radios that are not appropriately disconnected from the network and returned to a central area for disposal could result in unauthorised use of sensitive channels.</p>		Chris Mooney, Agency Security Advisor and Senior Manager, Security and Emergency Management	Dec 2016

Attachment B – Risk Rating

>6: High and >8 Extreme risk
 – detailed action plan required

5, 6: Medium risk
 – needs senior management attention
 – specify management responsibility

<5: Low risk
 – manage by routine procedures

High or Extreme risks must be reported to Senior Management and require detailed treatment plans to reduce the risk to Low or Medium.

		Consequence				
		Injuries or ailments not requiring medical treatment.	Minor injury or First Aid Treatment Case.	Serious injury causing hospitalisation or multiple medical treatment cases.	Life threatening injury or multiple serious injuries causing hospitalisation.	Death or multiple life threatening injuries.
People						
Reputation		Internal Review	Scrutiny required by internal committees or internal audit to prevent escalation.	Scrutiny required by external committees or External audit, or inquest, etc.	Intense public, political and media scrutiny. Eg: front page headlines, TV, etc.	Inquiry or Commission of inquiry or adverse national media.
Business Process & Systems		Minor errors in systems or processes requiring corrective action, or minor delay without impact on overall schedule.	Policy procedural rule occasionally not met or services do not fully meet needs.	One or more key accountability requirements not met. Inconvenient but not client welfare threatening.	Strategies not consistent with Government's agenda. Trends show service is degraded.	Critical system failure, bad policy advice or ongoing non-compliance. Business severely affected.
Financial		1% of Budget or <\$5K	2.5% of Budget or <\$50K	> 5% of Budget or <\$500K	> 10% of Budget or <\$5M	>25% of Budget or >\$5M
		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Very Likely	5	6	7	8	9	10
Likely	4	5	6	7	8	9
Possible	3	4	5	6	7	8
Unlikely	2	3	4	5	6	7
Very Unlikely	1	2	3	4	5	6

		Numerical:	Historical:
Likelihood	↑	>1 in 10	Is expected to occur in most circumstances
		1 in 10 - 100	Will probably occur
		1 in 100 – 1,000	Might occur at some time in the future
		1 in 1,000 – 10,000	Could occur but doubtful
	↑	1 in 10,000 – 100,000	May occur but only in exceptional circumstances

Attachment C – Approach

The audit considered the following:

- Identified and obtained existing process documentation relevant to the audit.
- Understood and documented via stakeholder discussions the two-way radio process, including the need for the use of the radios across the business to maintain communication for WHS or operational reasons.
- Developed an audit plan to test compliance with relevant asset policies, procedures, legislation, Director Generals Financial Instructions (DGFI's) and any other relevant rules and regulations in particular by applying this guidance to:
- Reviewed the issuance, tracking, recording, and disposal of two-way radios. This included the stocktaking process to account for assets in the portable and attractive items register.
- Methods of assigning responsibility for the management of individual two-way radios to PATS staff.
- Conducted interviews with depot managers and supervisors charged with any aspect of two-way radio management.
- Conducted interviews with staff members routinely using two-way radios, particularly with regard to their understanding of their responsibilities around accounting for the use of two-way radios.
- Assessed the two-way radio management practices in place by the NSW National Parks and Wildlife Service - by way of comparison, or other jurisdictions as appropriate.
- Discussed issues and remediation options with the nominated stakeholders at regular intervals during fieldwork, and at a formal exit interview.
- Issued a draft report to the nominated stakeholders with our documented findings and recommendations, and request a formal response to the findings and recommendations.
- Included the formal stakeholder response to each recommendation in the draft report, and then issue the final signed report, which will include our overall audit opinion.
- Discussed the output of this review with the Chief Audit Executive and key management stakeholders prior to any finalisation.

Attachment D – Benefits of two-way radio use

There are many benefits of using two-way radios instead of other mechanisms of communication, these include:

- **Enhanced productivity**
Push-to-talk applications enable immediate communication with staff in the field, allowing supervisors to react to changing priorities, weather alerts, and other unexpected criteria. Systems are designed for on-site, wide area, and multi-site applications.
- **Minimise delays**
Coordinators/managers can immediately contact staff to notify them of change orders or potential situations to be aware of. This helps avoid critical delays (such as during firefighting operations), promotes safety and saves time, also helping to contain costs.
- **Reduce operational costs**
Two-way radios eliminate the cost of recurring monthly fees and per-call charges of cellular push-to-talk technology.
- **Communicate with clear audio in loud environments**
Radios can overcome high decibel environments with noise suppression technology that limits background noise.
- **Improve worker safety** - Emergency features for enhanced worker safety
Emergency calling and intrinsically safe design features provide reliable two-way radio communications in locations where fire, flammable gas and combustible dust are present. If a worker needs assistance, the emergency alert feature provides rapid notification and enables immediate response. And transmit interrupt capability enables multiple talkgroup conversations to be interrupted for the delivery of urgent messages in an emergency.
- **Durable equipment that lasts 10-15 years and can withstand weather extremes** (useful life 5-7years) - Radios meet demanding specifications for wear and tear in the field, submersion in water.
- **Track location** - When used with a location tracking application, integrated GPS allows site supervisors to track the location of workers, locate supplies, and plan deliveries on or between job sites quickly.
- **Equipment security** - Remote disable technology minimises the impact of theft, and GPS features help track the locations of vehicles and heavy equipment, such as backhoes, excavators, forklifts, and other assets.

Attachment E – GRN Coverage, Users and Features

The NSW Government Radio Network (GRN) is geographically one of the largest trunked land mobile radio networks in the world. It covers approximately 266,000 square kilometres including NSW and the ACT (the coverage of the network is illustrated in Diagram 1 below). The GRN provides narrowband data services, which are only available to preapproved government agencies. It currently services approximately 28,000 users in 27 government agencies and related entities (as listed below).

- ACT ACTION Buses
- ACT Government
- Ambulance Service of NSW
- Attorney General’s Department
- Ausgrid
- Australian Broadcasting Corporation
- Department of Corrective Services
- Department of Defence
- Department of Juvenile Justice
- Department of Premier & Cabinet
- Central Tablelands Council
- Chevra Hatzolah
- Endeavour Energy
- Fire & Rescue NSW
- Harbour City Ferries
- Hunter Water Corporation
- ICAC
- National Parks and Wildlife Service
- NSW Police
- NSW Rural Fire Service
- NSW State Emergency Service
- Roads and Maritime Services
- Railcorp
- Sutherland Shire Council
- Sydney Catchment Authority
- Sydney Ports Authority
- Sydney Water
- Transport for NSW

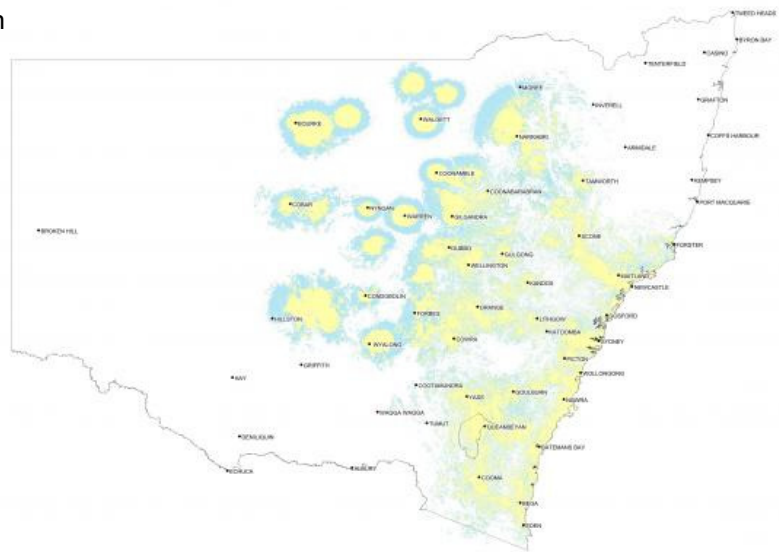


Diagram 1: GRN Coverage

Source: NSW Government Telco Authority.
<https://www.telco.nsw.gov.au/content/government-radio-network-grn>.

The GRN is owned by the NSW Government and managed on its behalf by BAI as Network Manager with oversight and assurance provided by the NSW Telco Authority. The Network Operations Control Centre (NOCC) is the hub of the Network, where the Network Manager controls and continuously monitors the functions of the network, activating individual services, monitoring performance, locating faults and restoring services.

Service levels for each agency are customised as determined in the “Service Agreement” completed during each radio network access request.

The GRN currently supports P25 Trunking capable vehicle mounted & handheld portable radios and only two P25 Trunking capable consoles as follows:

<p><i>Supported radios</i> Benelec – BLP450/600/6000 Series Motorola – APX and XTS Series Simoco – SRP/SRM 91/90xx Series</p>	<p>Harris – XG series Tait – TP/TM 91/94xx Series</p>	<p><i>Supported consoles:</i> Motorola – MCC7500 IP Dispatch System Zetron – AcomEvo Console System</p>
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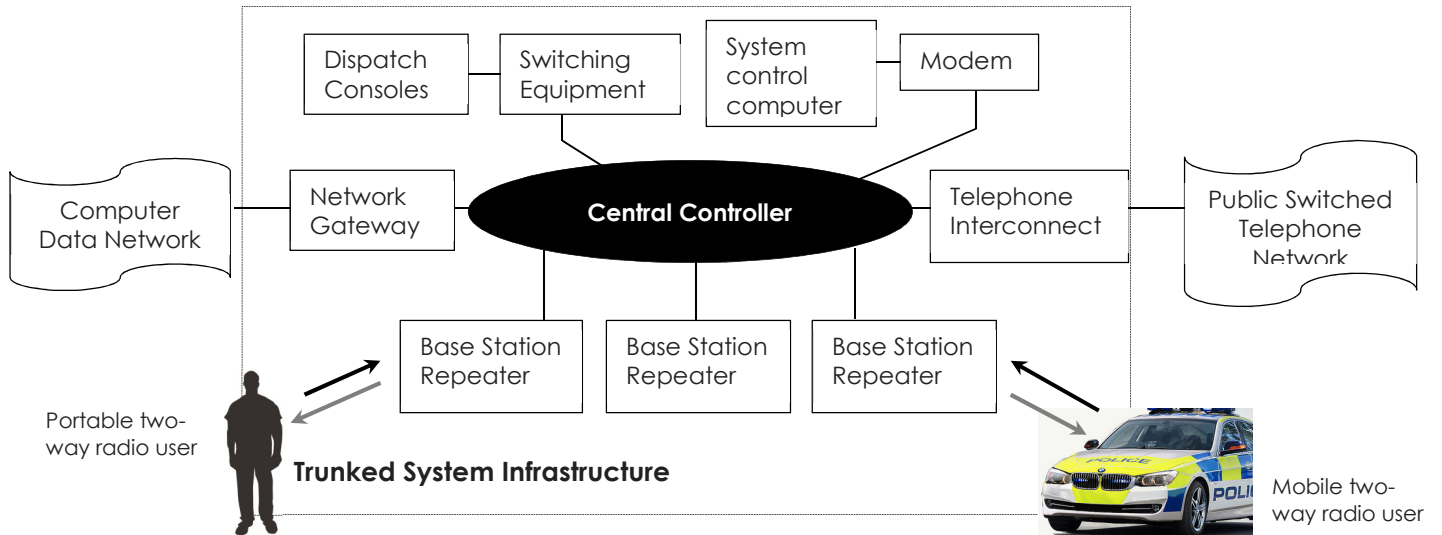


Diagram 2: Typical Configuration of a Centralised Trunked System

Source information: Booz Allen & Hamilton (Public Safety Wireless Network). *Comparisons of Conventional and Trunked Radio Systems*. 1999.

P25 Trunked operation – the GRN uses trunking to spread the load more efficiently. The basic idea of trunking is to use a computer (a ‘trunking controller’) to control use of the communications channels. The trunking controller directs initiated calls in the queue to the next free channel (and alerts a queued caller when a channel is freed up) via its own reserved communications channel (called the ‘control channel’) which is in contact with both queued radio callers and with all the other communications channels. Using this system, radio users can be authenticated to see if they are allowed to access the network. Group calls are more efficient because the only sites that participate are those where the radios are active (i.e. have ‘registered’). Priority calls are possible because the controller can promote prospective callers to the head of the queue. A radio user can also roam from one network zone to another while still communicating with the home dispatcher or group.

Every subscriber unit on a P25 system has an ID number. The ID numbers are programmed into the subscriber units using a national identification scheme. Radios must have the right access code number programmed into them and be known to the network to be able to access the network.

P25 systems also use talkgroups. A talkgroup is a method within the network that allows a radio to access a discrete “channel”. The agency can have talkgroups setup and then have the codeplugs of the radios coded to match. For example, one agency might set up talkgroups based on regions, another might choose to set up talkgroups based on organisational units (e.g. Namadgi operations, fire emergency operations, Search and Rescue, contractor operations etc.).

Users do not manually select individual radio channels in a trunked system, they select talk groups, by performing the physical action of setting a knob to a different number. Each user radio is affiliated with at least one group and/or subgroup and has an individual ID number. A talk group can be a subset of an announcement group as illustrated in Diagram 3 below. When a member of a talk group initiates a conversation, the trunked system controller automatically allocates one of the free radio channels to that talk group. Each radio in the talk group is automatically tuned to the allocated channel for the duration of the transmission without the user’s involvement.

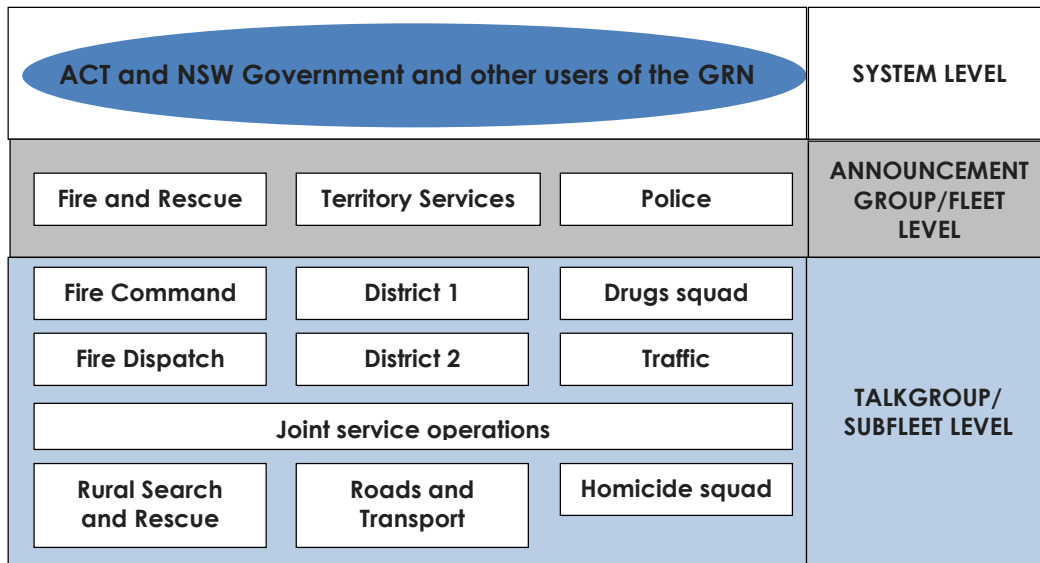


Diagram 3: Example of User Talk Groups in a Trunked System

Attachment F – Comparison of practices across Australia and overseas

The table below outlines the practices of other jurisdictions, agencies and other organisations to manage and account for portable and attractive items for operational communications similar to or the same as two-way radios.

Agency/Other	Assignment and use of portable and attractive item (except for pooled items)	Protocols for use of pooled devices ³⁵ and general protocols for radios	Procurement	Loss, theft, compromise or inappropriate use	Disposal and related
Australian Federal Police (AFP) ^{36,37}	Sign in and sign out to individuals through a software platform (Insight!). Unassigned items remain in the custody of the portable and attractive custodian.	Pooled devices must be managed by nominated custodian (recorded in the Insight! software) who must maintain a handover tracking process. Individual users must follow the handover tracking process and be responsible for the security and appropriate use of the device while in their custody	Must be verified to be for official purposes and consider security, integrity and privacy issues prior to approval.	Must be reported to AFP Security	Disposal must be recorded through the software platform, Insight!
Government of British Columbia Natural Resource Operations ³⁸	All radios are programmed and assigned by a central Natural Resource Operations outlet.		Procurement is undertaken by the Natural Resource Operations outlet.	Property Loss Forms must be filled out and provided to the appropriate district, regional or call centre manager.	Radios must be returned to the Natural Resource Operations outlet for maintenance and disposal.

³⁵ Devices which are available for shared use within a team or function of an entity.

³⁶ Addresses satellite phones, Sectera phones and telecommunications devices.

³⁷ Information sourced from internal AFP policies.

³⁸ Government of British Columbia, Canada. *Radio Communication Field Handbook: Radio Engineering Operations*. 2011.

Agency/Other	Assignment and use of portable and attractive item (except for pooled items)	Protocols for use of pooled devices ³⁵ and general protocols for radios	Procurement	Loss, theft, compromise or inappropriate use	Disposal and related
U.S. Fish and Wildlife Service ³⁹	<p>The Central Radio Program Manager (RPM) maintains a national database of service radio equipment (separate radio inventory equipment listings are maintained by Site Radio Coordinators and must be kept updated). Each region selects a Regional Radio Coordinator annually to liaise between the sites and the RPM and to ensure compliance with policies and coordinates transfer of radio equipment between field stations.</p> <p>The Site Radio Coordinator coordinates training for users and seasonal employees, ensures testing of equipment is performed at least annually and reviews coverage issues, informs the Site Manager or Regional Manager if there are any issues.</p>	Users must not use radios outside the licensed area. All law enforcement and/or sensitive radio communications must be encrypted.	<p>The RPM is the final technical authority for radio acquisition (including development of technical specifications for radio procurement and maintenance by field offices).</p> <p>The Service Radio Team obtains all quotes and approves purchases (paid by sites, who receipt the radios) and programmes radios. Procurement must be in line with the Ordering Guide and any standard contract requirement.</p>		The RPM is responsible for resolving radio frequency interference issues.
NSW Rural Fire Service ⁴⁰ (RFS) / National Parks and Wildlife Service (NPWS) / NSW Police	<p>Movement of all portable radios must be tracked and monitored via the use of and appropriate register.</p> <p>All portable radios are to be stored in a secure location when not in use. Portable radios are not to be left inside unattended vehicles. If there is no alternative, and as a last resort, the portable radio should be secured as best as possible and out of sight from the vehicle exterior.</p> <p>Shift Supervisors/operations managers are to account for all portable radios at the</p>	<p>NPWS uses some radios with frequencies assigned to other fire authorities for coordinated fire management. Police will sometimes use RFS radios for coordinated operations.</p> <p>The host region is to arrange for recharging facilities and the supply of spare radio batteries during extended operations.</p>	All communications equipment must be purchased and approved by an authorised area that also configures the devices prior to installation. RFS installations of radios in vehicles that not undertaken by the NSW RFS contract vehicle commissioning provider are subject to the NSW RFS Vehicle Risk Assessment process.	Commanders are fully responsible for the safe storage, proper use and general management of radio terminals allocated to their unit/command (whether permanent allocation or temporary loan). They may be required to pay for the replacement or repair of damaged radios where there is an identified failure to take	Vehicles used outside of NSW Police custody must have the radio disabled prior to use.

³⁹ U.S. Fish and Wildlife Service Radio Handbook and various Service Contract Mandatory Use Memos. 2014.

⁴⁰ Source information from current NSW Rural Fire Service and NSW NPWS Standard Operating Procedures and Manuals, and NSW Police Force Handbook 2015.

Agency/Other	Assignment and use of portable and attractive item (except for pooled items)	Protocols for use of pooled devices ³⁵ and general protocols for radios	Procurement	Loss, theft, compromise or inappropriate use	Disposal and related
<p>Safe Work Australia - Guidance to forestry organisations⁴²</p>	<p>commencement and conclusion of each shift/operation.</p> <p>Only authorised suppliers can programme radio equipment, in accordance with approved profiles.</p> <p>Only centrally approved radio devices may be used on the network⁴¹.</p> <p>Operators working alone must have been trained and have access to a two-way radio or other device with coverage.</p> <p>Personnel must not enter a new area without making radio contact with area supervisor first.</p> <p>Regular contact must be maintained with the manager (using agreed 'check in' procedure).</p>			<p>reasonable care and responsibility.</p> <p>Operators are not permitted to interfere with the radios. Any modifications are managed by the central custodian.</p> <p>Loss / misplacement of a radio must be immediately reported to the supervisor and investigated (search of all locations of last operator checked to locate radio and other sites checked in case of transfer). Without prompt location radio is immediately disabled.</p>	

⁴¹ Unapproved devices may interfere with the radio communications network or other licensed radio operators.

⁴² Safe Work Australia. *General Guide for Managing Risks in Forestry Operations* and *Forestry: Guide to managing risks of general hazards in forestry operations*. 2014.

Attachment G – Management Suggestions

Management suggestions represent a 'Business Process Improvement' opportunity. The suggestions may result in efficiency improvements or closer alignment with better practice, or may be examples of how the recommendations could be applied.

Procurement

- Purchase orders should not be raised and approved by the same area/depot or persons in charge of the register of two-way radios. For example, purchase orders could be raised by the depot manager while approval would occur by the portable and attractive items custodian⁴³.
- Two-way radios should be ordered and received by different areas of TAMS and the area that is responsible for organising requisition should not be able to pay for invoices. For example, the portable and attractive items custodian could order the two-way radios and these could be receipted by the Security and Emergency Management section to ensure proper configuration prior to use (the central asset manager could organise payment).
- The area responsible for receiving new procurements of two-way radios should not also record disposal or return of goods. For example, the asset manager could receive two-way radios for disposal and oversee that access is removed appropriately by the Security and Emergency Management section.
- It is suggested that TAMS obtain expert technical advice on appropriate feature kits for radios and related equipment, including to ensure inter-operability with the network, prior to procurement (such as from the ACT Radio Architect).
- Consider coordinating with other government agencies that use the TRN/GRN to develop a strategic procurement and management plan⁴⁴ including to obtain procurement cost savings (using economies of scale advantages) and to enhance network security management.
- Consider the purchase of Motorola APX 8000 two-way radios to enable wireless software (reprogramming) updates and tracking capability (with building movements sent to a central database).
- Consider the suitability of entering into a Fleetcare arrangement with Motorola to obtain three year testing of two-way radio units, repair/replacement and free batteries (for those under 80%), including 24 hour batteries which could be useful for longer shifts and remote work (including to support tracking).

Identification and recording, including stocktake

- Consider undertaking both pre and post season stocktakes for two-way radios to reduce the risk of radios being lost and not detected in a timely manner.
- Officers undertaking stocktakes validating the register to the radio fleet and vice versa should not be from the same depot.
- Provide a barcode scanner for each depot close to the timing of each stocktake and upload results centrally to check two-way radios against the portable and attractive register.
- Attach simple coded durable identification tags or stickers to the casing of each radio⁴⁵ to allow efficient identification by the depot and user; record these codes for each radio in the register and ensure they are still attached at each stocktake.

⁴³ The portable and attractive items 'custodian' is defined in the *Parks and Territory Services – Portable and Attractive Assets Policy* (there is one person nominated as the custodian for PCS, City Rangers and DAS respectively).

⁴⁴ For example an ACT whole-of-government body may ensure the ACT network is governed effectively for all stakeholders and might approve specification for radio equipment to optimise use of the network. As an example, the sponsor for this governance body could be the Digital Chief Information Officer for the ACT.

⁴⁵ Two-way radios in the APX series can also be ordered with different coloured case coverings, this colour-coding could be used to distinguish contractor/volunteer radios from staff radios for example.

- Consider engraving or tagging radio batteries with the 'home' depot name to ensure adequate batteries are available for each two-way radio.

Deployment and use of two-way radios

- Suggest explicit reference be made to management of two-way radios as portable and attractive items in the *Parks and Territory Services – Portable and Attractive Assets Policy*. For practicality, consider only requiring formal transfer of two-way radios when the radios are being used by a new primary user⁴⁶ or contractor/volunteer associated with a different depot – reflect in the *Parks and Territory Services – Portable and Attractive Assets Policy*.
- Consider installing portable repeaters (or use a Digital Vehicular Repeater System (DVRS)⁴⁷) to extend the coverage range in areas without full coverage for two-way radios⁴⁸.
- Engage a reputed security firm to check antennas and other two-way radio equipment is installed properly to optimise coverage prior to first use and on a regular basis.
- Ensure two-way radios can be securely attached to an operator's belt or light unit for example to reduce the risk of damage during field operations.
- Report coverage issues to the ACT Radio Architect to consider technical solutions.

Obsolescence and loss management (including tracking)

- Provide easily accessible examples of completed asset forms (such as the incident and disposal forms) for staff reference and training.
- Consider acquiring APX 8000 series two-way radios to obtain wireless reprogramming capability and site entry and exit logging to a database (not available for APX 6000 and APX 7000 series two-way radios).
- An over-allocation of two-way radios could be securely stored in the TAMS central office to allow substitution of units when radios are damaged and need to be replaced or repaired to ensure operations continue to be properly resourced.
- Train staff in the use of simplex mode⁴⁹ for all two-way radios and provide protocols for use, including during work in limited or no coverage areas.
- To support tracking, require all users to keep a well-charged battery fitted to each two-way radio.
- Develop a standard procedure and checklist for systematic removal of two-way radios attached to vehicles (and other TAMS property) prior to return of a vehicle.
- Provide regular reports of any issues relating to the use of two-way radios, to the ACT Radio Architect to ensure maintenance issues are considered in monthly trend analysis meetings with the vendor, Motorola⁵⁰.

Deactivation, return and replacement

- Following removal of network access, two-way radios for repair or replacement could be sent to the ACT Radio Architect in Shared Services/ESA to provide to the vendor. Under a Fleetcare

⁴⁶ The individual user assigned a two-way radio on a primary basis.

⁴⁷ A DVRS is mounted on the trunk of a vehicle to extend coverage when the portable two-way radio is away from the vehicle. It is commonly used to improve portable radio coverage for police, fire and emergency personnel working away from vehicles. It currently costs approximately \$5K to purchase and can improve capability from 5 Watts used by each portable radio up to 25 Watts through remote connection to vehicle radio capability.

⁴⁸ The ACT Radio Architect with Shared Services/ESA has performed propagation analysis which has established that there would be full network coverage for two-way radios being used in the ACT if portable repeaters were installed at ranger stations in no/broken coverage areas.

⁴⁹ In simplex mode operators can talk to each other (and locate another radio) over shorter distances without the benefit of a signal-boosting repeater. Canadian logging operators mostly use simplex mode for communications.

⁵⁰ A Motorola Fleetcare arrangement may need to be entered into for Motorola to review TAMS two-way radio operational issues.

arrangement, where a unit is not economic to repair, such as due to fire damage, some units may be replaceable free of charge.

- Following each stocktake, a list of two-way radios to be inhibited could be reviewed by the relevant depot manager prior to inhibiting the radios to ensure located radios in active use are not being inhibited.
- Include disconnection and inhibition policy for two-way radios in the *Parks and Territory Services – Portable and Attractive Assets Policy*.

Attachment H – Stakeholders Consulted

Name	Position	Location
Anthony Polinelli	Chief Audit Executive	Macarthur House
Christopher Aquilina	Internal Audit Manager	Macarthur House
Daniel Iglesias	Director, Parks and Conservation Service (PCS) Depots	Macarthur House
Fleur Flanery	Manager, City Rangers and Domestic Animal Services (DAS) Depots	Macarthur House
Chris Mooney	Agency Security Advisor - Senior Manager, Security and Emergency Management	Macarthur House
Phil Gritti	Manager, Protective Security	Macarthur House
Ross Burden	Business Manager, Parks and Territory Services	Macarthur House
Meaghan Hart	Asset management officer	Macarthur House
Mick Ivill	Fire management officer	Stromlo Depot
Julian Davies	Fire management officer	Stromlo Depot
Stuart Jeffress	Regional Manager, Urban Reserves	Mitchell Depot
Mark Sweeney	Ranger-in-charge Mulligans Flat	Mitchell Depot
Stephen Clayton	Area Work Supervisor Urban Reserves North Operations and Environmental Assets	Mitchell Depot
Kylie Jenkins	Manager Licensing and Compliance, City Rangers and Domestic Animal Services	Macarthur House
Matt Potter	Licensing and Compliance Officer, City Rangers and Domestic Animal Services	Macarthur House
Brett McNamara	Regional Manager Namadgi, Tidbinbilla and West of Murrumbidgee River	Namadgi District
Michelle Jenkins	Namadgi Administration Officer	Namadgi Depot
Kieran Lawton	Area Manager Tidbinbilla	Tidbinbilla Depot
Colin Schofield	Googong Depot Acting Manager	Googong Depot
Jim Hewitt	ACT Radio Architect	Shared Services and Emergency Services Agency
Norman Deutsch	NOCC Manager NSW Government Radio Network	BAI Communications, Sydney
David Roulston	CIO David Roulston, TAMS Chief Information Officer – Director AIMS	Macarthur House

Attachment I – Statement of Responsibility

We take responsibility for this report, which is prepared on the basis of the limitations set out below.

The engagement has been performed as an audit as defined under Australian Standard on Assurance Engagements (ASAE) 3000 “Assurance Engagements Other than Audit or Reviews of Historical Financial Information”.

Our procedures were designed to provide reasonable assurance as defined by ASAE 3000, which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, the use of selective testing, the inherent limitations of internal controls and because much of the evidence available to the auditor is persuasive rather than conclusive in nature.

Further, the internal control structure of client has not been reviewed and no view is expressed as to its effectiveness.

The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management’s responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.



Parks and City Services Depots

ACT Government

Asset Control in relation to Parks and City Services
Depots

Report - July 2012

FINAL



17 July 2012

Mr Anthony Polinelli
Chief Internal Auditor
Department of Territory and Municipal Services (TAMS)
Macarthur House
12 Wattle Street Lyneham
Canberra ACT 2602

Dear Mr Polinelli,

FINAL REPORT - ASSET CONTROL IN RELATION TO PARKS AND CITY SERVICES DEPOTS.

If you have any questions please do not hesitate to contact me on 0414 950 033.

Yours sincerely,

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1.Executive Summary

1.1 Introduction

Parks and City Services (PACS) is a division of the ACT Government Territory and Municipal Services (TAMS) Directorate. PACS is responsible for the planning and management of the majority of ACT's parks, reserves, forestry plantations and public domains, including lakes, street trees, public open spaces and city places.

Our audit was conducted with the objective of assessing the effectiveness of Asset Control in relation to PACS. The audit shall review in particular:

- Processes and procedures underpinning small scale purchases within PACS; and
- The effectiveness of current stock control arrangements with a particular focus being paid to all forms of stock control in Depots.

Depots hold a substantial inventory of assets and stores. Valuable and attractive items often represent a major investment in resources. Control of assets, and asset management generally, constitute important elements of a Depot's internal control environment.

PACS procurement processes mirror that of other parts of the ACT Government.

Below is a summary of the key findings in relation to our audit and references to detailed findings included in Section 3 of this report.

1.2 Index of Findings

Ref/ Page No.	Assessed Risk	Findings
1/ pg8	High (7)	Lack of an up to date Portable & Attractive Items Policy
2/ pg12	High (7)	Inconsistent invoice coding and capture of portable and attractive items
3/ pg14	Very High (9)	No monitoring of the manual issuance register
4/ pg17	High (7)	Insufficient systems validations and data capture
5/ pg19	Very High (9)	No segregations of duties over the management of stocktakes
6/ pg21	High (7)	Limited procedural Guidance and training for recording items in the Small and Attractive Items Register
7/ pg24	High (8)	Quality assurance over correct asset capture and monitoring of other small scale purchases
8/ pg25	Very High (9)	No segregation of duties over disposed goods
9/ pg27	Medium (6)	Missing incident reports accompanying stolen or vandalised goods

1.3 Conclusion against Objectives

We have performed a review of Asset Control within Parks and City Services Depots (PACS) Depots. This review assessed governance processes, policies and procedures supporting the purchase of small scale assets in relation to PACS.

Overall there are three very high level risks noted and several areas of high and medium risk referenced above which require attention by PACS. The following key points are emphasised from our review:

- There is an overall lack of up to date guidance and policy for the acquisition, management and recording of small scale asset purchases for PACS;
- Insufficient system enforced controls over data capture within the Small & Attractive Items Register;
- Inadequate segregation over the stocktaking and disposal processes;
- Limited capture of purchase information which limits reporting and monitoring of purchases; and
- Insufficient monitoring and quality assurance over small scale asset purchases, in particular Small & Attractive Items.

In response to these issues we recommend that PACS:

- Develop a risk assessment which drives the update of the policies surrounding small scale asset purchases;
- Ensure consistency of processes driven by development of procedural guidance, to support recording, management, stocktaking, handling of missing/stolen items, disposals and reporting;
- Consider the Small and Attractive Items Register system improvements including the prospect of migrating to the IAMS solution; and
- Improve budgetary controls and other reporting and monitoring mechanisms over small scale asset purchases.

These are supported by more detailed recommendations within our report.

2. Objectives and Methodology

2.1 Audit Objectives

Our audit was conducted with the objective of assessing the effectiveness of Asset Control in relation to Parks and City Services Depots (PACS). The audit shall review:

- processes and procedures underpinning small scale purchases within PACS; and
- the effectiveness of current stock control arrangements with a particular focus being paid to all forms of stock control in depots.

Aspects of good practice or areas of innovation found during the review have also been reported within each detailed section 3.

2.2 Methodology

Our audit performed the following with respect to assessing the effectiveness of Asset Control in relation to PACS:

Purchasing Processes, Procedures and Control

- Obtain guiding purchasing policies and procedures in place supporting the purchase and issue of inventory;
- Understand and document via stakeholder discussions the processes and procedures supporting small scale purchases;
- Lines of responsibilities/accountabilities supporting the purchase and issue of inventory; and
- Identification of any gaps in control activities with respect to the recording of purchases and issuance of inventory from the Depots.

Management Monitoring Purchases

- Assess whether there are appropriate reporting and monitoring processes in place over purchases and inventory issues by management.

Analysis of small scale purchase and issue of purchases

- For the period July 2011 to January 2012 review the level of purchases within by each depot.
- By type of purchase, assess whether the levels purchased are commensurate with the business activities undertaken.
- Compare, for each depot, the volume of small scale purchases issued, if possible to where and/or to whom.
- For an agreed sample of purchases selected, analyse the level of stock on hand as at a given date during the audit and assess whether this is consistent with the level of purchases reviewed in the previous point, to assess any unexpected reductions in inventory levels.

2.3 Risk Ratings

Our assessment of risk for the findings raised, adhered to the methodology recommended in the Australian and New Zealand Risk Management Standard (AS/NZS ISO 31000:2009). This standard categorises organisational risks according to their likelihood and consequence. Refer to Attachment B for specific risk category table.

3. Detailed Findings – Asset Control in Parks and City Services Depots

3.1 • Guiding policies and procedures in place supporting the purchase and issue of inventory

3.1.1 Organisational policies

Accounting Policies - Portable and Attractive Items

The ACT Accounting Policy - Portable and Attractive Items (Issued in November 2005) provides general guidance to ACT Government agencies on accounting for and the management of portable and attractive items. There is no specific policy on small assets which fall beneath the \$5,000 asset capitalisation threshold within ACT Government. The Portable & Attractive Items policy however, is tailored to capture assets that are perceived to be valuable and outlines the methods to record and manage these assets.

The policy is available at:

http://www.treasury.act.gov.au/accounting/download/AP_02.pdf

The policy states portable and attractive items are non-consumable items that:

- have a value below an agency's capitalisation threshold (this threshold is between \$2,000 and \$5,000); and
- are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale.

By definition, portable and attractive items do not meet the asset capitalisation threshold and, consequently, are expensed in the financial year in which they are acquired.

The PACS Small & Attractive Items Register (the Register) has been developed to support the compliance requirements under this policy.

The following key points are noted:

- The policy has not been reviewed for over 6 years.
- The minimum threshold for entry into the Register has been informally lowered to \$100, however this is not reflected in the accounting policy.
- The policy does state that agencies may set different thresholds for different categories of items, depending on the risk associated with each category and the agency's operating environment. Based on correspondence provided to Depots by PACS Management the lower threshold of \$100 was not made explicitly clear which could cause confusion.

Where agencies issue portable and attractive items to employees for their specific use, agencies should have appropriate systems in place to ensure that all items issued are returned (or accounted for) on or before the employee's last day with the agency.

The policy states the portable and attractive register must include the following information for each item:

- ID number (e.g. register or barcode number)
- description (e.g. brand, model, serial number, other identifying features)
- purchase date
- purchase cost (or equivalent)
- responsible area (e.g. branch/section)
- contact person/holder (e.g. name, phone number, location)
- disposal date
- disposal method (e.g. lost, stolen)

The Register has been configured to include all these data fields.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

1. Finding – Lack of an up to date Portable & Attractive Items Policy

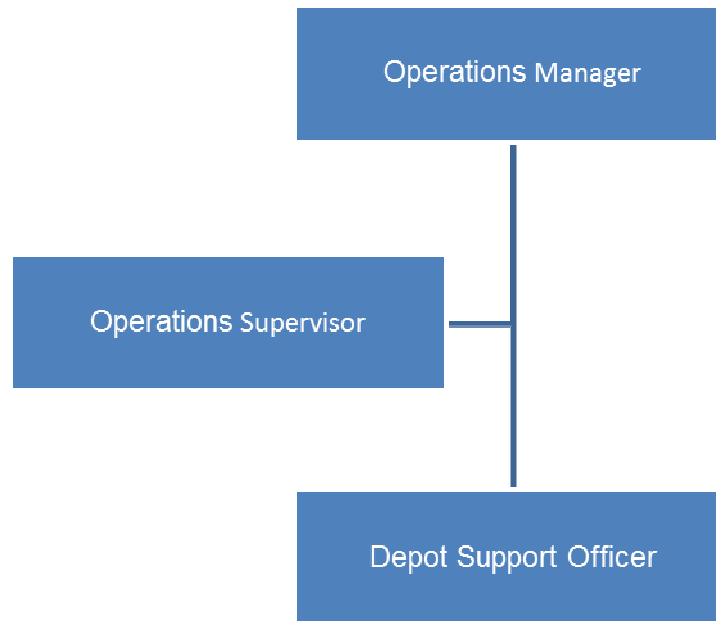
Summary of the Finding	The Portable & Attractive Items policy has not been reviewed for over 6 years. The minimum threshold for entry into PACS Small & Attractive Items Register has been informally lowered to \$100. This was evidenced by correspondence provided by PACS Management to Depots via the yearly stocktaking activity process. This however, is not reflected in a formal policy.
Risk	High - Consequence: 4 Likelihood: 3 Total: 7 There is a risk that current processes for portable and attractive items do not align with policies and overall current PACS management intent. (Reputation/ Business Process/Financial)
Recommendation	Consideration should be put to increasing the capitalisation limit on designated assets, thereby allowing the accounting staff to focus its attention on the proper approval, tracking, and disposition of a smaller number of large dollar assets. PACS Management should perform a risk assessment to identify equipment at risk of misappropriation or loss valued up to \$5,000. This risk assessment should be used as the basis of a tailored Portable & Attractive Items Policy for PACS.
Management Response	Agree
Action Officer	PACS Business Manager
Timing for completion	September 2013

3.1.2 Purchasing delegations

Lines of responsibilities/accountabilities supporting the purchase and issue of inventory

Audit conducted asset procurement observations across 3 Depots within PACS, namely Belconnen, Nicholls & Kambah. The typical line of procurement approval observed within each Depot was:

Typical Depot Procurement Hierarchy



The Depot Support Officer role was primarily administrative by nature which included the responsibility to raise invoices. The Operations Supervisor (also known as the Depot Manager) oversees operations and approves expenditure to the limit of their delegation. The Operations Manager oversees a series of Depots, for example all north side operations. They have a delegation generally higher than the Operations Supervisor to approve expenditure.

Audit noted that there were inconsistencies between how invoices were being approved. For example:

- In Belconnen all Purchase Orders are prepared at the Depot with the authorisation occurring by the Operations Manager - North.
- In Tuggeranong purchases up to \$10,000 are authorised by the Operations Supervisor with the preparer being the Depot Support Officer. Items over \$10,000 are authorised by the Operations Manager – South.

The responsibility for the issuance of inventory lies with Operations Supervisors who have an independent role from other Depot staff.

3.1.3 Overview of Depot asset purchase process

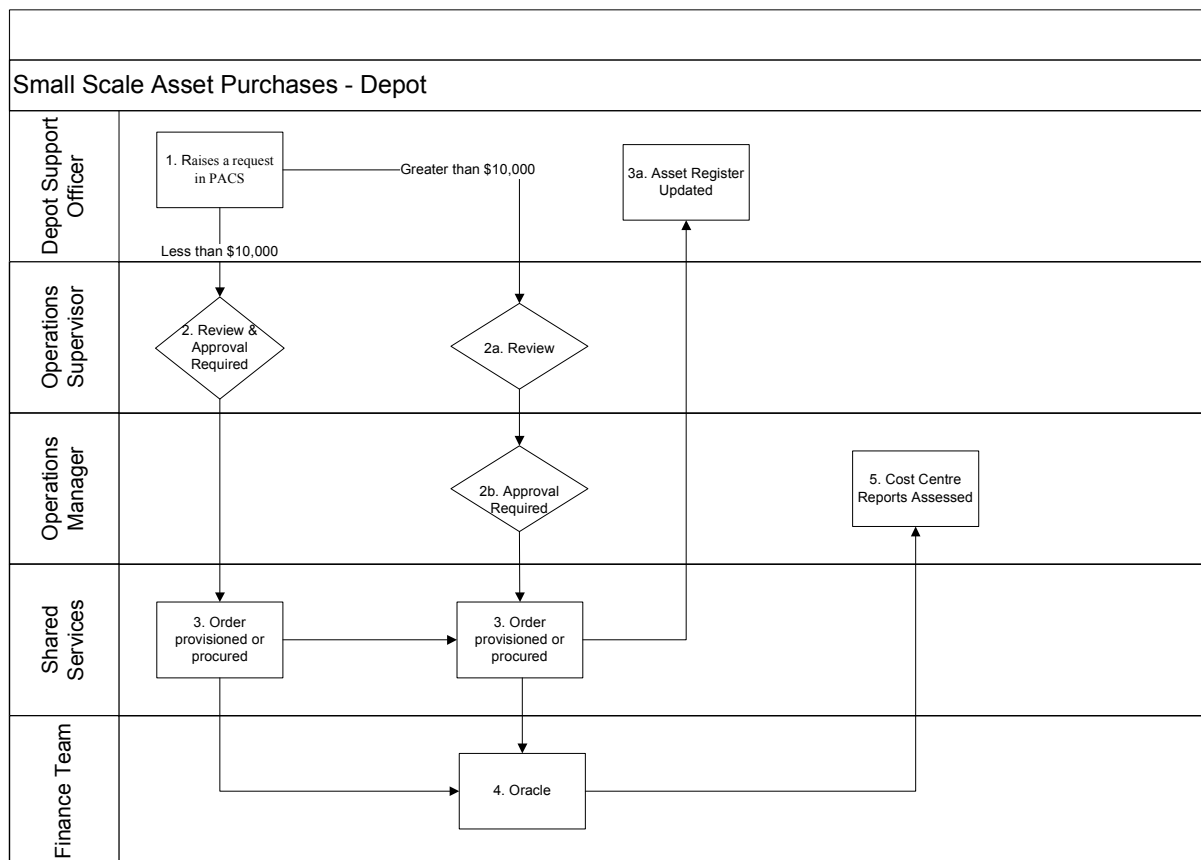
Purchase and issue of inventory and small scale asset purchases

Typically the Operations Supervisor's authorise purchases up to \$10,000 based on the delegation that they have. Operations Managers sign off on invoices over and above this for Depot purchases.

Purchase Orders are raised by Depot Support Officers but can be raised by anyone with access to the purchase order system within PACS. Refer to section 3.2.1 for further details on the purchase order system.

The typical steps in the small scale asset management process are described as follows:

1. **Asset Purchase:** The PACS Invoice Payment and Purchase Order System is designed to simplify creation, payment and tracking of PACS purchases. Generally speaking a purchase is initiated by a Purchase Order to a supplier raised by the Depot Support Officer.
2. **Financial Management:** The Finance team require all assets to be assigned to an entity, cost centre, natural account, project and programme. This aligns to the asset delivering for the appropriate business area.
3. **Approval:** Purchases up to \$10,000 are authorised by the Operations Supervisor with the preparer being the Depot Support Officer. Items over \$10,000 are authorised by the Operations Manager at PACS Macarthur House.
4. **Procurement:** When the goods have been received and the invoice is available for payment the signed Purchase Order cover sheet is sent to Shared Services with the invoice for payment through Oracle.
5. **Asset Register:** Assets covered by the Small and Attractive Items Register can be directly added from the invoice or edit screen of the PACS Invoice Payment and Purchase Order System by clicking "Add Asset." This will automatically populate the access database tables. In practice it was observed that Depots were utilising the 'Asset Acquisition Advice' form (Refer to Attachment C) and then manually sending to PACS Management for input into the Small & Attractive Items Register.



The following table describes the steps and responsibilities associated with a small asset request.

Step	Corresponding Process Label	Role	Description
1	Staff member raises a request	Depot Support Officer	The Depot Support Officer raises a Purchase Order via the PACS Invoice Payment and Purchase Order System.
2	Approval Required Under \$10,000	Operations Supervisor	Purchases up to \$10,000 are reviewed & authorised by the Operations Supervisor with the preparer being the Depot Support Officer. The purchase order system generates a hard copy covering sheet to allow signature approval.
2a	Review of Purchase over \$10,000	Operations Supervisor	The Operations Supervisor reviews invoices over \$10,000 before it is sent to the Operations Manager for approval.
2b	Approval Required Over \$10,000	Operations Manager	Items over \$10,000 are authorised by the Operations Manager at Macarthur House. The purchase order system generates a hard copy covering sheet to allow signature approval.
3	Order Provisioned or Procured	Shared Services	When the goods have been received and the invoice is available for payment the signed PO cover sheet is sent to Shared Services with the invoice for payment.
3a	Asset Register Updated	Depot Support Officer	The PACS Invoice Payment and Purchase Order System allow small and attractive assets to be input into the Small & Attractive Items Register directly.
4	Oracle Updated	Shared Services/Finance Team	Shared services process invoices through Oracle on behalf of Depots.
5	Cost Centre Reports Assessed	Operations Manager	Operations Managers can run reports from Oracle and analyse transactions for their respective cost centres which include asset purchases.

3.2 •Understand and document via stakeholder discussions the processes and procedures supporting small scale purchases

3.2.1 Document the process supporting small scale asset purchases

Background

The PACS Invoice Payment and Purchase Order System is a Access database designed to simplify creation, payment and tracking of PACS purchases. It is used to generate purchase orders to suppliers. Generally speaking a purchase is initiated by a Purchase Order (PO) to a supplier.

When the goods have been received and the invoice is available for payment the signed PO cover sheet is sent to Shared Services with the invoice for payment through the Oracle finance system.

In almost all instances a PO is required to make a purchase. In the rare event of there being no account available with a supplier, there were some Depots that utilised a credit card for the purchase. The transaction would only be made after PACS Management approval at Macarthur House has been granted.

It was noted that there were poor descriptions for invoice coding on PO covering sheets. In some cases where a number of different types of goods were purchased from the same vendor on the same invoice the asset details would not be separated into multiple lines for Shared Service processing. The PO covering sheet has the functionality to allow the dissection of an invoice into multiple lines.

It was also noted (though not in the scope of this audit) that the processes governing the approval of PACS invoices could be prone to potential fraud if signatures are forged on PO covering sheets. Shared Services should consider a register of signatures to ensure that delegated officers are indeed authorising PO's correctly. There are no inbuilt system electronic approvals for purchasing to support a more secure method of authorisation.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

2. Finding –Inconsistent invoice coding and capture of portable and attractive items

Finding	<p>Descriptions on purchase order cover sheets that are used as input into the Oracle finance system were often not detailed enough to understand the nature of the expense or small asset purchased.</p> <p>Audit also observed that PACS invoices paid via purchase order covering sheets was prone to forgery without a verification process to ensure the legitimacy of signatures.</p>
Risk	<p>High - Consequence: 3 Likelihood: 4 Total: 7</p> <p>There is a risk that some purchases would not be identified as assets through Oracle transaction listings and that expense items are not entered with sufficient detail to allow correct recording, monitoring and tracking of individual items.</p> <p>(Reputation/ Business Process/Financial))</p>
Recommendation	<p>2a: Procedural guidance should be developed to outline the level of detail that must be captured on PO covering sheets to improve the invoice reference descriptions associated with small scale asset purchases. This will enable a sufficient level of detail to be captured as part of Shared Service processing to allow reporting and monitoring of purchases.</p> <p>Procedural guidance should be developed and include a complete end to end process for recording an asset within the Small & Attractive Items Register. Training should be provided to support any procedural guidance</p>

	<p>developed.</p> <p>2b: Shared Services should consider a register of signatures to ensure that delegated officers are indeed authorising PO's correctly. TAMS could provide the signature register to Shared Services to support this recommendation.</p> <p>As a long term recommendation TAMS should consider the implementation of a more sophisticated purchase order approval process system. This may include the development of a system that manages workflow capability.</p>
Management Response	<p>a) Agree</p> <p>b) Agree in principal. A register of signatures could be resource intensive due to staff turn-over. Any new PO approval system would need to be practical.</p>
Action Officer	<p>PACS Business Manager</p> <p>Shared Services/ TAMS Business Manager</p>
Timing for completion	September 2013

Purchase Cards & Petty Cash

The Depot field visits undertaken by Audit indicated that purchase cards were not being utilised to support vendor purchases. In some instances relationships were built with vendors but in all cases a purchase order would need to be presented in order to purchase an item.

Bunnings Cards have been issued to approximately 6 Depots to manage the purchase of some small scale items. Each card is registered with the Parks and City Services Depot allocated ID number and the name of the delegate authorised to use the card. Bunnings have been instructed to ensure that any purchases require confirmation of this delegate via photo ID and a signed purchase order.

There were issues of the account being placed on hold due to invoices not being paid on time. This was likely to have occurred as a result of invoices being issued without reference to a PO and thus the difficulty in assigning the purchase to a specific Depot.

For both Belconnen & Tuggeranong the level of purchasing with Bunnings was low. The total expenditure for the Depots amounted to less than \$5,000 for the 6 months ending 31 December 2011.

It is recommended that each Depot should be set up as a separate customer by Bunnings to ensure invoice tracking is more easily managed. It was noted that Bunnings are not complying with the ID check and PO requirement.

It was established that no petty cash fund is utilised to procure any type of purchase at the Depot's interviewed. Cash re-imburements related to staff matters and not purchases of assets. These types of re-imburement were conducted at Macarthur House through Payroll.

Managing attractive items from a security and issuance perspective.

The audit observed that a paper issuance register was kept for uniform items such as sunglasses and protective gloves. The manual register was created to issue property plant and equipment or clothing to Depot staff. It requires date of issuance, name of recipient, signature and the issued item. Any excessive use is tightly scrutinised by Depot management.

All valuable items are locked away in safe cabinets with senior Depot management only having access to keys. High volume, low value items that are perceived as attractive such as gloves and sunglasses may warrant other mechanisms to track stock levels.

Refer to Section 3.3.1 for a method of managing the risk associated with these uniform issued small value items.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

3. Finding – No monitoring of the manual issuance register

Finding	<p>Items, including Small & Attractive Items, which are issued to Depot staff are managed via manual paper issuance registers.</p> <p>Items such as uniforms are not recorded in the Small & Attractive Items Register, but are recorded on the manual issuance register.</p> <p>There were no independent audits conducted on the management and issuance of these valuable items.</p>
Risk	<p>Very High - Consequence: 5 Likelihood: 4 Total: 9</p> <p>Without an independent assessment of the small and attractive items issuance there is an increased risk of fraud.</p> <p>(Compliance/Business Process/Reputation)</p>
Recommendation	<p>Items identified in Depots as valuable should be scrutinised more fully by PACS Management as part of ad-hoc stocktaking, including reviews of the manual issuance registers for each Depot.</p> <p>Consideration should be placed on using the Small & Attractive Items Register to track issued stock to staff. This would require some level of modification to the existing Small & Attractive Items Register but would enable a complete tracking of an asset by PACS.</p>
Management Response	Agree
Action Officer	PACS Business Manager
Timing for completion	September 2013

3.2.2 Asset recording and verification

Finding - Background

Small and Attractive Items Register Recording

The Small & Attractive Items Register (the Register) was developed in late 2008 to provide a system solution to record small scale assets at PACS Depots. Before this much recording was conducted on manual paper forms by each Depot and kept on site. As previously mentioned, the purchase order system has a button to link to the Register and support the recording of small and attractive assets. This should be completed each time a new asset is purchased.

When a small scale asset item is purchased which is covered by the policy requirements of the Register, it can be directly added from the invoice or edit screen of the PACS Invoice Payment and Purchase Order System by clicking "Add Asset." This will automatically populate the Register access database tables. If Depots have forgotten to input the details via the Purchase Order System then they have the ability to notify the PACS Project Officer supporting the database who resides in PACS Management at Macarthur House.

The input variables to the Register include:

- Asset ID;
- Acquisition Date;
- Depot;
- Asset/Class;
- Asset Type;
- Asset Bar Code;
- Description;
- Serial Number;
- Value; and
- PO Number.

Details of Asset Class Categories and the number of items recorded as at the 14th of March 2012 are:

Asset Class	No of Items
Fire Specific	19
ICT and Data	331
Office Equipment	1,145
Plant and Equipment	1,685
Staff Amenity	179
No Asset Class	43
Grand Total	3,402¹

Refer to Attachment D for a list of Asset Types & Asset Sub Types. The Register has been developed to allow sufficient details to be recorded for each asset for verification and tracking purposes.

Attachment E splits the number of items recorded by Depot and the corresponding value recorded. The Register has a total of \$1,408,420 worth of assets recorded for all Depots within PACS.

¹ 3,402 is the current active asset listing as at the 14th of March 2012. There were 125 additional items with a date of loss/disposal recorded.

Input fields for the Register are not all mandatory. As a result, many fields are not populated resulting in poor data quality. For example some items do not state asset types, or serial numbers or values. Incomplete data would make asset stock verification difficult.

Comprehensive details including the serial number should be recorded, to allow the specified equipment to be easily tracked at any time and to ensure that the equipment will be covered in the event of loss or damage.

Although the Register did allow the ability to distinguish between each Depot when recording assets, it did not allow a further breakdown by Business Unit. In the case of Depots that have separate responsible areas such as Tree Surgery, Fire Unit, Tree Surgery, Horticulture and Cleaning or Pest Control it is difficult to isolate assets within the Register.

It was observed that the Depots visited were not utilising the direct system method of updating the Small and Attractive Items Register rather a manual 'Asset Acquisition Advice' paper form was being filled and sent to PACS Management to input to the Register centrally. In simple terms the process was:

Step Action

- 1 Goods received and invoice approved.
- 2 Invoice sent to Shared Services and entered onto Oracle.
- 3 Asset Addition/Transfer/Write-off form with a clearly marked copy of the invoice is sent to the PACS Project Officer responsible for the Register.
- 4 Project Officer arranges for Asset Register to be updated.

Consideration should be given to in implementing a catalogue listing of items to allow uniform recording of descriptions. Further, data capture could include a quantity field to better support recording.

Given the lack of mandatory data captured with existing assets there would need to be a project to assess the missing input variables for all assets and populate all required fields. The project would require a complete stocktake of all Depots to ascertain what variables require population.

As consequence of these findings the current Register cannot be relied upon as a true reflection of small asset holdings under \$5,000.

Small & Attractive Items Register Security

Audit also observed that the Register did not have inbuilt audit logs to support the tracking of modifications to the supporting database. Effective audit logging is important for the security and reliability of the Register. Logs can be used to detect suspicious activity, which frequently provides early indications of an attack on the system. Failing to do so can leave the application vulnerable to repudiation threats. Auditing is generally considered most authoritative if the log information is generated at the precise time of resource access.

There was also a lack of security over the Registers supporting database. Any PACS staff with access to the network drive that the database resides on could access the database tables from the back end and make unauthorised changes. Also, any user with access to the PACS Purchase Order System has the ability to add assets to the Register. There are no specific user profiles for the Register.

There is also a lack of business documentation around the development of the database. The current database administrator and initial developer of the system holds much of this knowledge that is undocumented in any sufficient detail. There is a risk of corporate knowledge loss in the event of their departure.

Consideration of IAMS Solution

The Integrated Asset Management System (IAMS) was implemented by TAMS to upgrade and fully integrate a range of legacy asset management systems into a single integrated solution. TAMS is

responsible for an extensive range of asset types paralleling those of large local government authorities.

Audit explored the possibility of utilising IAMS as a solution to manage small scale asset recording. The IAMS solution is tailored to both linear referencing and spatial location capabilities offering asset managers referential and absolute locations of their assets. The system also has the capability of managing the recording of small scale assets in line with existing processes with the added benefit of a defined system with inbuilt controls. IAMS has extensive reporting capabilities that would support any management requirements.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

4. Finding – Insufficient systems validations and data capture

<p>Finding</p>	<p>The database that supports the Small and Attractive Items Register does not contain adequate system validations and does not enforce capture of data by mandatory fields.</p> <p>From a database security perspective, the Small and Attractive Items Register does not have logging capabilities enabled, and general security over the database supporting the Small and Attractive Items Register is lacking.</p>
<p>Risk</p>	<p>High - Consequence: 3 Likelihood: 4 Total: 7</p> <p>There is a risk that the data quality of the Register will impact on the effectiveness of stocktaking.</p> <p>There is also an increased risk of unauthorised changes being made to the Register.</p> <p>(Business Process/Financial)</p>
<p>Recommendation</p>	<p>Alternative One: It is recommended that PACS develop more front end system validations including required fields to support improved data capture of small scale assets.</p> <p>Given the lack of data capture with existing assets, there would need to be a project to assess the missing input variables for all assets to allow the population of all required fields. This may require a complete and thorough stocktaking of all Depots.</p> <p>Consideration should be given to implementing a catalogue listing of asset items to allow uniform recording of descriptions. Further the data capture could include a quantity field to better support recording of multiple purchases of the same asset. The front end capture should also have a mandatory field to record the Business Unit within each Depot.</p> <p>Audit also recommends that PACS Management ensure database logging capabilities are implemented and that the outputs of these logs are monitored to ensure data integrity. PACS Management should also ensure that there is sufficient business documentation that details the development of the database.</p> <p>Alternative Two: Building on alternative one, PACS Management should explore and consider the potential migration to the IAMS Asset solution. IAMS provides all the system input and security controls to support alternative one. Before any migration PACS Management should ensure that all asset data is</p>

	captured and complete.
Management Response	Agree – PACS need to review to determine which is the preferred option.
Action Officer	PACS Business Manager
Timing for completion	December 2012

3.2.3 Stocktaking

Stocktaking Policies

The ACT Accounting Policy for Portable and Attractive Items states that stocktakes are the mechanism that assists the director-generals and chief executive officers in confirming the existence and proper control over assets. Stocktakes also ensure that operational units are accountable for the portable and attractive items under their control and assist them to:

1. identify items that have been lost or stolen and, where possible, recover them; and
2. assess the effectiveness of control practices for portable and attractive items and, where required, improve them.

According to the policy agencies must ensure that stocktakes of portable and attractive items are performed at least once a year, in order to safeguard identified portable and attractive items.

The results of each stocktake must be provided to the head of the operational unit or cost centre responsible for reporting on portable and attractive items. The head of the operational unit or cost centre should then address any significant issues of concern.

Stocktaking Process & Barcodes for Assets

PACS Management provides barcode stickers to each Depot to support the identification of their assets. Barcodes are required to be attached to each new small attractive asset. Barcodes are unique for each Depot.

A barcode scanner was used through each Depot to support stocktaking purposes. This process has proven time consuming and some problems have been encountered with the scanner including a minor system problem and some operator errors.

As a result of the scanner issues Depots were issued with lists of assets extracted from the Small and Attractive Items Register which included the barcode issued numbers and asked to perform an internal stocktake.

As part of the stocktake process Depots:

- physically located the items;
- cross referenced the item to the barcode record on the asset listing;
- confirmed the items existence and marked items on the asset listing; and
- in the instance of new items being discovered without a barcode, a barcode was placed on the items and the asset was recorded on the Small & Attractive Items Register.

Advice from Depots was that often barcodes fell off items or could be peeled off easily. Items that could not be found as part of stocktaking would then trigger the requirement to complete a security form and an 'Asset Disposal Advice' form. It was clearly evident that Depots were largely autonomous

in their stocktaking activities and that independent parties (such as PACS Management) were not present to enforce segregations.

Stocktaking Improvements

One officer in each Depot should be assigned the responsibility of maintaining the Register. This officer should review minor asset purchases at least quarterly and record any items which are considered portable and attractive and have a value of greater than the agreed lower limit and less than \$5,000 on the Depot's Register.

A stocktake of all Register items must be undertaken annually. The stocktake should be performed by an officer other than the officer responsible for the maintenance of the Register. The results of each stocktake must be provided to the relevant PACS Management division head who should then address any significant issues of concern. The division head must authorise the removal of all lost and stolen items from the Register.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

5. Finding –No segregations of duties over the management of stocktakes

Finding	<p>Currently there is no consistent approach to stocktaking across Depots. Due to staff resourcing concerns there has not been a representative from PACS Management present to oversee the stocktaking process at all Depots.</p> <p>The responsibility of performing the stocktake rests with the area responsible for the portable and attractive register. However the policy states, the person assigned to perform the stocktake must not maintain the portable and attractive register.</p> <p>A barcode scanner was used through each Depot to support stocktaking purposes. This process has proven time consuming and some problems have been encountered with the scanner including a minor system problem and some operator errors.</p>
Risk	<p>Very High - Consequence: 5 Likelihood: 4 Total: 9</p> <p>A lack of segregation of stocktaking duties from purchasing of assets and maintenance of the Small & Attractive Items Register increases the risk of fraudulent activity.</p> <p>(Reputation/Business Process/Financial)</p>
Recommendation	<p>5a: There needs to be a clear separation between purchasing and stocktaking activities to ensure independence is present in the stocktaking process.</p> <p>It is recommended that proper segregation of duties must exist during stocktake.</p> <p>PACS Management need to ensure that the stocktake team consists of:</p> <ol style="list-style-type: none"> 1. Depot Representative(s) (Warehouse personnel); and 2. Checkers (Staff from PACS independent of Depot). <p>Rather than conduct the stocktake during one period of the year for all Depots, PACS Management should develop a rotational calendar of when stocktakes will occur.</p> <p>PACS Management should undertake sample physical count of inventory throughout the year. The focus however, should be on areas of high risk.</p> <p>5b: PACS Management should investigate the issues surrounding the barcode scanner more fully and consider the re-implementation of its use.</p>

	There should be testing and procedural documentation developed for the existing barcode scanner to support a more streamlined and efficient stocktaking.
Management Response	a) Agree – outline in procedures - November 2012 b) Review of barcode system - December 2012
Action Officer	PACS Business Manager
Timing for completion	See Management Response for timing.

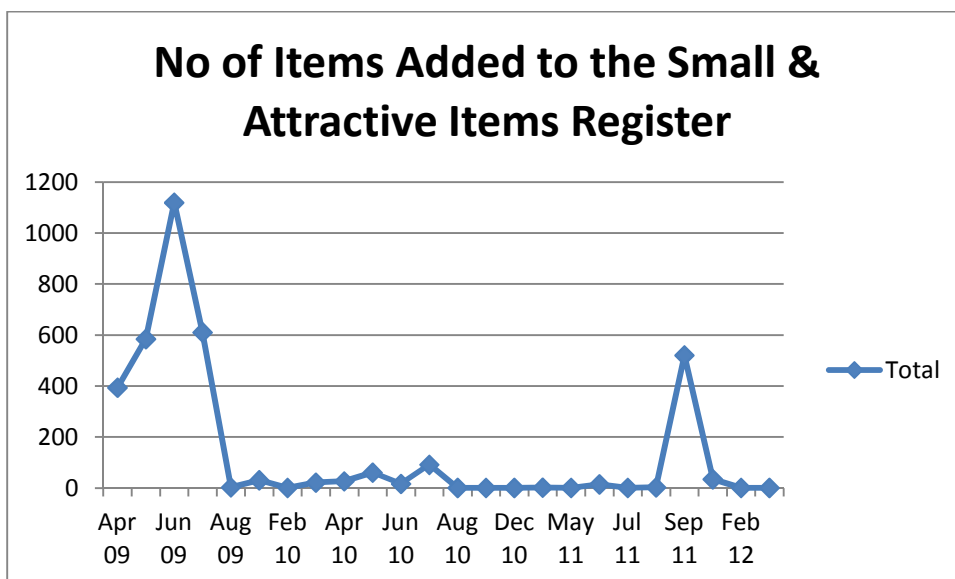
3.2.4 Compliance with Accounting Policies

Small and Attractive Items Register Compliance

In accordance with the ACT Accounting Policy for Portable and Attractive Items, all areas in PACS need to keep current registers of their portable and attractive items and prior audits have picked up the lack of a key, coordinated register.

The Parks & Reserves Depot has not complied with this requirement and has no inputs in the Small and Attractive Items Register. All other Depots have records within the Register noting the comments previously made around data quality and completeness. Refer to Appendix E for a summary of items by Depot.

It was noted that no independent reporting was conducted on the Register apart from work conducted as part of stocktaking activities. Audit plotted the number of items recorded since the Register was put into operation in April 2009. It was clearly evident that most items were placed onto the Register as part of stocktaking activities and not via normal procurement activity throughout the year. This indicates non-compliance with the Register's intentions. Items that have not been recorded on the Register at the time of purchasing and are subsequently misplaced may not be identified as part of stocktaking activities.



Procedural documentation supporting small scale asset purchases

There are instructions to help utilise the Small and Attractive Items Register. However this is not a formal document and has not been circulated to the staff at Depots.

There was clear evidence that some Depot Support Officers were unaware of the existence and required responsibilities to record assets. New Depot Support Officers should undertake formal training in this area as part of their induction.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

6. Finding – Limited procedural guidance and training for recording items in the Small and Attractive Items Register

Finding	<p>There are basic instructions to help utilise the Small and Attractive Items Register. However this is not a formal document and has not been circulated to the staff at Depots.</p> <p>Our investigation noted that most staff at the Depots were unaware of the existence of the automated method of adding assets to the Small and Attractive Items Register.</p> <p>There was no consistent method of recording assets in the Register. Typically Depots use a manual Asset Acquisition Advice form to notify PACS Management of an asset purchase rather than the automated method of recording.</p> <p>It was also clearly evident that most items were placed onto the Register as part of stocktaking activities and not via normal procurement activity throughout the year.</p>
Risk	<p>High - Consequence: 4 Likelihood: 3 Total: 7</p> <p>There is a risk that manual asset forms will be misplaced and thus small scale assets not recorded in the Register.</p> <p>(Business Process/Financial)</p>
Recommendation	<p>It is suggested that PACS Management improve the procedural documentation that supports the Small & Attractive Items Register.</p> <p>It is recommended that formal training of the Register be conducted across all Depots to ensure that automated methods of data capture are utilised. Completion of the Asset Acquisition Advice forms by Depots should be continued in tandem with the automated update and used as a cross check by PACS Management.</p> <p>PACS Management should ensure that Register procedural documentation is complete and properly maintained on file and complies with accounting policy requirements.</p> <p>As previously mentioned in Finding 2 Audit recommends a procedural guide to support the purchase and management of small scale assets. This would include the development and use of a checklist of required actions in relation to the:</p> <ul style="list-style-type: none"> • Purchase, recording and issuance of small scale assets; • Process for stocktaking; and • Handling of missing/stolen items and disposed goods
Management	Agree

<i>Response</i>	
<i>Action Officer</i>	PACS Business Manager
<i>Timing for completion</i>	September 2013

3.3 • Identification of any gaps in control activities with respect to the recording of purchases, issuance and disposal from the Depots

3.3.1 Identified Control gaps

Finding – Background

Depot Cost Centre Analysis

Audit reviewed the cost centre transactions associated with Belconnen, Kambah & Calwell and observed the nature and type of vendors being utilised and whether this was appropriate, with consideration of Depot size and requirements. By type of purchase, Audit assessed whether the levels purchased were commensurate with the business activities undertaken.

Audit used the period 1 July 2011 to January 2012 to review purchases. It was noted that there were 74 vendors utilised for Tuggeranong and 85 for Belconnen. All transactions observed appeared in line with typical Depot activity.

Audit did observe that there was a general lack of analysis of cost centre transactions through the Oracle ledger by PACS Management. Depot Support Officers also did not have access to transactional data in Oracle.

As part of PACS Management quality assurance programs to ensure all small scale assets are captured certain vendors that are consistently used to procure small scale assets should be scrutinised. Audit observed instances of small scale asset purchases that had not been recorded in the Small & Attractive Items Register.

For example for the Tuggeranong region the following blower was purchased for \$461 in September 2012:

“PURCHASE OF BLOWER AND BLADES BOP E13” but had not been coded to the Register. This was further evidence of non-compliance of Register requirements.

In order to isolate and support identification of items that should be placed onto the Small and Attractive Items Register it is suggested that the coding of invoices to the accounting system be more targeted. For example a specific cost element within Oracle could be utilised to support the identification of invoices relating to such items. An item could be coded to the following sub-object classifications using an internal number of 12 to represent an item to be recorded in the Small & Attractive Items Register which would support identification and reporting in the Oracle ledger, for example:

Entity	Cost Centre	Natural Account	Internal	Project	Programme	Value
xxx	xxxxx	R&M - Plant & Equipment	12	xxxxx	xxxx	\$461

Small items relating to valuable uniform issuances such as gloves, ear muffs, sunglasses & sunscreen would be best tracked if items were purchased from the same vendor, where possible. Consideration should be sought to procure these items centrally before distribution to Depots. Trend analysis could be performed by PACS Management to compare expenditure by Depot and gain a level of assurance on usage patterns. The values of these items do not justify recording as a small scale asset. As mentioned in Finding 1 a risk assessment would support the justification of which assets should be tracked via the Register.

Audit attempted to assess whether there are appropriate reporting and monitoring processes in place over purchases and inventory issued by management. Currently there is no monitoring or budgetary analysis conducted at the Depots, rather budgetary analysis is conducted centrally by PACS Management after the items are purchased.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

7. Finding –Quality assurance over correct asset capture and monitoring of other small scale purchases

<p>Finding</p>	<p>Our review indicated that there was a lack of detailed analysis conducted on transactional data within the Oracle finance system. Based on detailed audit analysis of a sample of Depots it was evident that there were small scale assets that were not recorded in the Small & Attractive Items Register.</p> <p>It was also observed that Depot Support Officers did not have access to transactional data in Oracle.</p> <p>Currently there is no monitoring or budgetary analysis conducted at the Depots, rather budgetary analysis is conducted centrally by PACS Management however this review occurs after the items are purchased</p>
<p>Risk</p>	<p>High - Consequence: 4 Likelihood: 4 Total: 8</p> <p>There is a risk that some items that should be captured are not being recorded in the Register in a timely manner or at all.</p> <p>There is a risk that the issue of other small scale items is not adequately monitored to ensure it is within acceptable levels or budgets.</p> <p>(Reputation/Business Process/Financial)</p>
<p>Recommendation</p>	<p>7a: PACS Management should perform quality assurance processes to ensure all Small & Attractive Items are captured correctly in the Register. Further, all transaction postings through Oracle should be scrutinised for validity.</p> <p>7b: Cost coding to a specific Internal Order number could support more targeted recording of items relating to small scale asset purchases. There should be greater budgetary control over the purchasing process.</p> <p>7c: All Depot Support Officers should be provided a quarterly report of transactions for their respective cost centres or access to Oracle to review transaction postings and alignment with the Small & Attractive Items Register.</p> <p>There should also be formal sign off of Oracle cost centre transaction listings by Depot Support Officers to support stocktaking activities and validating purchases of assets.</p> <p>The Depot Support Officer in each Depot should be assigned the responsibility of maintaining the Small & Attractive Items Register. This officer should review minor asset purchases at least quarterly and record any items which are considered portable and attractive that have a value of between the agreed lower limit and \$5,000 on the Depot's Register.</p>
<p>Management Response</p>	<p>a) Agree - Sept 2013</p> <p>b) Review/creation of cost codes - Sept 2012</p>

	c) Include in procedures / training required - Sept 2012
Action Officer	PACS Business Manager Finance Section/Shared Services/Operational Managers PACS Business Manager/ DSO/Supervisor
Timing for completion	See Management Response above for timing.

Compliance with disposal policies and procedures.

Disposal policies as per ACT Government accounting policies note that:

“Agencies must have adequate controls over the removal of portable and attractive items from the register. All items removed must be properly authorised by the head of the responsible area and cannot be undertaken by the person assigned to maintain the portable and attractive register.

Information relating to items that are lost or stolen should be retained for at least three years, to assist in assessing the effectiveness of the area’s control of portable and attractive items as well as identifying any emerging trends. This information can be reinstated on the register if the items are recovered.”

It was observed that Depots largely manage the disposal of the physical goods themselves. Advice is provided to the PACS Management team for asset removal, this is generally performed by sending an Asset Disposal Advice form (refer to Attachment C) to the responsible delegate within the PACS Management team at Macarthur House.

Depots advised that some disposed items are kept as spare parts. If they cannot be reused items are sent to Pickles Auctioneers after the Fleet Management Team are contacted at Macarthur House.

With regard to the write-off of an asset, the policy states the delegate must be satisfied with one of the following:

- loss of an asset; or
- theft of an asset; or
- the asset has become unserviceable; or
- the asset has become obsolete.

In situations where assets cannot be located, write-off action should not occur until it is clear that the asset in question has been lost or stolen. Once approval to write-off the value of an asset has been obtained, the asset should be removed from the Register and the relevant Agency account in a timely manner.

It was noted that if Depots identify, as part of stocktaking activities, an item that has been disposed of or lost that advice is provided to PACS Management for the removal of that item. The PACS Project Officer then manually removes the item from the Register.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

8. Finding – No segregation of duties over disposed goods

Finding	<p>It was noted that there was a lack of segregation between the authoriser of asset purchasers and the ultimate decision maker on asset disposal within Depots.</p> <p>Items identified as being surplus to Depot requirements through stocktaking activities were removed from the Small & Attractive Items Register through advice from Depot Management to PACS Management. There was insufficient scrutiny to ensure that any disposals were legitimate.</p>
Risk	<p>Very High - Consequence: 5 Likelihood: 4 Total: 9</p> <p>There is an increased risk of fraudulent activities due to a lack of segregations in the disposal process.</p> <p>(Reputation/Financial)</p>
Recommendation	<p>It is recommended that all surplus items should be sent to a central repository to manage the disposal process and ensure segregations from the purchasing responsibilities are met.</p> <p>PACS Management must ensure any items removed from the Register have an accompanying Asset Disposal Advice form. In the event of goods being identified as suitable for spare parts, PACS Management, as an independent reviewer, must authorise such occurrences via formal approval.</p> <p>There should be sufficient detail recorded in the Register to allow reporting of disposed items by Depots.</p>
Management Response	Agree
Action Officer	Operational Managers & Supervisors
Timing for completion	December 2012

Management of the Small & Attractive Items Register.

Depots generally had suitable Registers for recording and tracking their attractive assets. However there were weaknesses in practice which have been detailed previously in this report. These included: Registers that were incomplete or out of date, inaccurate records, inadequate checking of physical assets against records, and inadequate monitoring of losses and discrepancies. As a result, not all assets had been registered and not all could be located.

As mentioned in **Finding 4**, it is recommended that the registration of assets via the purchase order system should have inbuilt required fields to ensure complete and consistent capture of data for the Small & Attractive Items Register.

Controls to identify and remove misplaced or lost assets/portable and attractive items from the register

In the event of assets/portable and attractive items being lost or misplaced, Audit suggests Management should investigate the whereabouts or reason why the asset or attractive item has gone missing. Should the investigation prove negative, an asset disposal report will be produced for those items in question and the disposal approved and submitted to Management. The details of this report should include the following information:

1. Date of loss;
2. Circumstances of loss;
3. Description including model and serial numbers; and
4. Barcode/Register equipment list item number.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

9. Finding – Missing incident reports accompanying stolen or vandalised goods and stocktaking variances

Finding	Audit observed that when an asset is identified as missing that a security incident form was not filled in all cases.
Risk	<p>Medium - Consequence: 2 Likelihood: 4 Total: 6</p> <p>There is a risk that assets misplaced or lost may not be reported accurately.</p> <p>(Business Process/Financial)</p>
Recommendation	<p>An incident report should accompany any items that have been stolen or vandalised. All items that are misplaced or stolen require recording in the Small & Attractive Items Register, however it was observed that this was not completed in all cases. There is a security incident form that should be filled in and referenced in the Register. Misplaced or stolen Items not recorded in the Register cannot be identified during stocktake.</p> <p>Audit recommends the use of pre-numbered acquisition and disposal forms. Each Depot would be provided pre-numbered asset acquisition and disposal forms, and track the status of each form.</p> <p>PACS Management must ensure that all items marked as missing or lost in the Small and Attractive Items Register has an accompanying security form.</p> <p>After each stocktake a copy of the variance report and stock valuation report with "Stocktake Check List" attached should be forwarded to the PACS Management team for perusal and comment. The PACS Management team with the delegated authority should then accept the adjustments or reject the stocktake or part thereof and appoint an independent person to enquire into the deficiency or result.</p>
Management Response	Agree
Action Officer	PACS Business Manager and Business Unit Managers

<i>Timing for completion</i>	December 2012
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Attachment A – Recommendation Summary

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
1	<p>Lack of an up to date Portable & Attractive Items Policy</p> <p>Consideration should be put to increasing the capitalisation limit on designated assets, thereby allowing the accounting staff to focus its attention on the proper approval, tracking, and disposition of a smaller number of large dollar assets.</p> <p>PACS Management should perform a risk assessment to identify equipment at risk of misappropriation or loss valued up to \$5,000. This risk assessment should be used as the basis of a tailored Portable & Attractive Items Policy for PACS.</p>	<p>High - Consequence: 4 Likelihood: 3 Total: 7</p> <p>There is a risk that current processes for portable and attractive items do not align with policies and overall current PACS management intent.</p> <p>(Reputation/ Business Process/Financial)</p>	Agree	PACS Business Manager	September 2013

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
2	<p>Inconsistent invoice coding and capture of portable and attractive items</p> <p>2a: Procedural guidance should be developed to outline the level of detail that must be captured on PO covering sheets to improve the invoice reference descriptions associated with small scale asset purchases. This will enable a sufficient level of detail to be captured as part of Shared Service processing to allow reporting and monitoring of purchases.</p> <p>Procedural guidance should be developed and include a complete end to end process for recording an asset within the Small & Attractive Items Register. Training should be provided to support any procedural guidance developed.</p> <p>2b: Shared Services should consider a register of signatures to ensure that delegated officers are indeed authorising PO's correctly. TAMS could provide the signature register to Shared Services to support this recommendation.</p> <p>As a long term recommendation TAMS should consider the implementation of a more sophisticated purchase order approval process system. This may include the development of a system that manages workflow capability.</p>	<p>High - Consequence: 3 Likelihood: 4 Total: 7</p> <p>There is a risk that some purchases would not be identified as assets through Oracle transaction listings and that expense items are not entered with sufficient detail to allow correct recording, monitoring and tracking of individual items.</p> <p>(Reputation/ Business Process/Financial)</p>	<p>Agree</p>	<p>PACS Business Manager</p>	<p>Sept 2013</p>
			<p>Agree in principal. A register of signatures could be resource intensive due to staff turn-over. Any new PO approval system would need to be practical.</p>	<p>Shared Services/ TAMS Business Manager</p>	<p>Sept 2013</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
3	<p>No monitoring of the manual issuance register</p> <p>Items identified in Depots as valuable should be scrutinised more fully by PACS Management as part of ad-hoc stocktaking, including reviews of the manual issuance registers for each Depot.</p> <p>Consideration should be placed on using the Small & Attractive Items Register to track issued stock to staff. This would require some level of modification to the existing Small & Attractive Items Register but would enable a complete tracking of an asset by PACS.</p>	<p>Very High - Consequence: 5 Likelihood: 5 Total: 9</p> <p>Without an independent assessment of valuable item issuance there is an increased risk of fraud.</p> <p>(Compliance/Business Process/Reputation)</p>	<p>Agree</p>	<p>PACS Business Manager</p>	<p>Sept 2013</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
4	<p>Insufficient systems validations and data capture</p> <p>Alternative One: It is recommended that PACS develop more front end system validations including required fields to support improved data capture of small scale assets.</p> <p>Given the lack of data capture with existing assets, there would need to be a project to assess the missing input variables for all assets to allow the population of all required fields. This may require a complete and thorough stocktaking of all Depots.</p> <p>Consideration should be given to implementing a catalogue listing of asset items to allow uniform recording of descriptions. Further the data capture could include a quantity field to better support recording of multiple purchases of the same asset. The front end capture should also have a mandatory field to record the Business Unit within each Depot.</p> <p>Audit also recommends that PACS Management ensure database logging capabilities are implemented and that the outputs of these logs are monitored to ensure data integrity. PACS Management should also ensure that there is sufficient business documentation that details the development of the database.</p> <p>Alternative Two: Building on alternative one, PACS Management should explore and consider the potential migration to the IAMS Asset solution. IAMS provides all the system input and security controls to support alternative one. Before any migration PACS Management should ensure that all asset data is captured and complete.</p>	<p>High- Consequence: 3 Likelihood: 4 Total: 7</p> <p>There is a risk that the data quality of the Register will make stocktaking activities more difficult.</p> <p>There is also an increased risk of unauthorised changes being made to the Register.</p> <p>(Business Process/Financial)</p>	<p>Agree – PACS need to review to determine which is the preferred option.</p>	<p>PACS Business Manager</p>	<p>December 2012</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
6	<p>Limited procedural guidance and training for recording items in the Small and Attractive Items Register</p> <p>It is suggested that PACS Management improve the procedural documentation that supports the Small & Attractive Items Register.</p> <p>It is recommended that formal training of the Register be conducted across all Depots to ensure that automated methods of data capture are utilised. Completion of the Asset Acquisition Advice forms by Depots should be continued in tandem with the automated update and used as a cross check by PACS Management.</p> <p>PACS Management should ensure that Register procedural documentation is complete and properly maintained on file and complies with accounting policy requirements.</p> <p>As previously mentioned in Finding 2 Audit recommends a procedural guide to support the purchase and management of small scale assets. This would include the development and use of a checklist of required actions in relation to the:</p> <ul style="list-style-type: none"> • Purchase, recording and issuance of small scale assets; • Process for stocktaking; and • Handling of missing/stolen items and disposed goods 	<p>High - Consequence: 4 Likelihood: 3 Total: 7</p> <p>There is a risk that manual asset forms will be misplaced and thus small scale assets not recorded in the Register.</p> <p>(Business Process/Financial)</p>	<p>Agree</p>	<p>PACS Business Manager</p>	<p>Sept 2013</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
7	<p>Quality assurance over correct asset capture and monitoring of other small scale purchases</p> <p>7a: PACS Management should perform quality assurance processes to ensure all Small & Attractive Items are captured correctly in the Register. Further, all transaction postings through Oracle should be scrutinised for validity.</p> <p>7b: Cost coding to a specific Internal Order number could support more targeted recording of items relating to small scale asset purchases. There should be greater budgetary control over the purchasing process.</p> <p>7c: All Depot Support Officers should be provided a quarterly report of transactions for their respective cost centres or access to Oracle to review transaction postings and alignment with the Small & Attractive Items Register.</p> <p>There should also be formal sign off of Oracle cost centre transaction listings by Depot Support Officers to support stocktaking activities and validating purchases of assets.</p> <p>The Depot Support Officer in each Depot should be assigned the responsibility of maintaining the Small & Attractive Items Register. This officer should review minor asset purchases at least quarterly and record any items which are considered portable and attractive that have a value of between the agreed lower limit and \$5,000 on the Depot's Register.</p>	<p>High - Consequence: 4 Likelihood: 4 Total: 8</p> <p>There is a risk that some items that should be captured are not being recorded in the Register in a timely manner or at all.</p> <p>There is a risk that the issue of other small scale items is not adequately monitored to ensure it is within acceptable levels or budgets.</p> <p>(Reputation/Business Process/Financial)</p>	<p>Agree</p> <p>Review/creation of cost codes</p> <p>Include in procedures / training required</p>	<p>PACS Business Manager</p> <p>Finance Section/Shared Services/Operational Managers</p> <p>PACS Business Manager/ DSO/Supervisor</p>	<p>Sept 2013</p> <p>Sept 2012</p> <p>Sept 2012</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
8	<p>No segregation of duties over disposed goods</p> <p>It is recommended that all surplus items should be sent to a central repository to manage the disposal process and ensure segregations from the purchasing responsibilities are met.</p> <p>PACS Management must ensure any items removed from the Register have an accompanying Asset Disposal Advice form. In the event of goods being identified as suitable for spare parts, PACS Management, as an independent reviewer, must authorise such occurrences via formal approval.</p> <p>There should be sufficient detail recorded in the Register to allow reporting of disposed items by Depots.</p>	<p>Very High - Consequence: 5 Likelihood: 4 Total: 9</p> <p>There is an increased risk of fraudulent activities due to a lack of segregations in the disposal process</p> <p>(Reputation/Business Process)</p>	<p>Agree</p>	<p>Operational Managers & Supervisors</p>	<p>Dec 2012</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
9	<p>Missing incident reports accompanying stolen or vandalised goods and stocktaking variances</p> <p>An incident report should accompany any items that have been stolen or vandalised. All items that are misplaced or stolen require recording in the Small & Attractive Items Register, however it was observed that this was not completed in all cases. There is a security incident form that should be filled in and referenced in the Register. Misplaced or stolen items not recorded in the Register cannot be identified during stocktake.</p> <p>Audit recommends the use of pre-numbered acquisition and disposal forms. Each Depot would be provided pre-numbered asset acquisition and disposal forms, and track the status of each form.</p> <p>PACS Management must ensure that all items marked as missing or lost in the Small and Attractive Items Register has an accompanying security form.</p> <p>After each stocktake a copy of the variance report and stock valuation report with "Stocktake Check List" attached should be forwarded to the PACS Management team for perusal and comment. The PACS Management team with the delegated authority should then accept the adjustments or reject the stocktake or part thereof and appoint an independent person to enquire into the deficiency or result.</p>	<p>Medium - Consequence: 2 Likelihood: 4 Total: 6</p> <p>There is a risk that assets misplaced or lost may not be reported accurately.</p> <p>(Business Process/Financial)</p>	Agree	PACS Business Manager and Business Unit Managers	December 2012

Attachment B – Risk Rating

- >6: **High and >8 Very High risk**
 - detailed action plan required
- 5.6: **Medium risk**
 - needs senior management attention
 - specify management responsibility
- <5: **Low risk**
 - manage by routine procedures

High or Extreme risks must be reported to Senior Management and require detailed treatment plans to reduce the risk to **Low** or **Medium**.

	Consequence				
	1	2	3	4	5
	Insignificant	Minor	Moderate	Major	Catastrophic
People	Injuries or ailments not requiring medical treatment.	Minor injury or First Aid Treatment Case.	Serious injury causing hospitalisation or multiple medical treatment cases.	Life threatening injury or multiple serious injuries causing hospitalisation.	Death or multiple life threatening injuries.
Reputation	Internal Review	Scrutiny required by internal committees or internal audit to prevent escalation.	Scrutiny required by external committees or External audit, or inquest, etc.	Intense public, political and media scrutiny. Eg: front page headlines, TV, etc.	Inquiry or Commission of inquiry or adverse national media.
Business Process & Systems	Minor errors in systems or processes requiring corrective action, or minor delay without impact on overall schedule.	Policy procedural rule occasionally not met or services do not fully meet needs.	One or more key accountability requirements not met. Inconvenient but not client welfare threatening.	Strategies not consistent with Government's agenda. Trends show service is degraded.	Critical system failure, bad policy advice or ongoing non-compliance. Business severely affected.
Financial	1% of Budget or <\$5K	2.5% of Budget or <\$50K	> 5% of Budget or <\$500K	> 10% of Budget or <\$5M	>25% of Budget or >\$5M
	1	2	3	4	5
	Insignificant	Minor	Moderate	Major	Catastrophic
Very Likely	5	7	8	9	10
Likely	4	6	7	8	9
Possible	3	5	6	7	8
Unlikely	2	4	5	6	7
Very Unlikely	1	3	4	5	6

	Numerical:	Historical:
	> 1 in 10	Is expected to occur in most circumstances
	1 in 10 - 100	Will probably occur
	1 in 100 - 1,000	Might occur at some time in the future
	1 in 1,000 - 10,000	Could occur but doubtful
	1 in 10,000 - 100,000	May occur but only in exceptional circumstances

Attachment C – Asset Forms



ASSET ACQUISITION ADVICE

This section must be completed whenever Plant, Equipment, Asset or a Portable and Attractive item is purchased. E.g. (Electrical goods, Camera's Chainsaws & Blowers

Depot/Location and Function (e.g. Fyshwick Hort)		Asset Number
Item, Make, Model Number and Description _____		
Purchase Price \$	Serial Number	Purchase Order Number
Supplier		Date of Purchase/...../.....
Purpose: (State if it is a replacement item)		
Note if this is a replacement item the Asset Disposal Advice section must be completed.		
Signature of Action Officer	Signature of Manager	
Date...../...../.....	Date...../...../.....	

ASSET DISPOSAL ADVICE										
This section must be completed whenever disposal action is taken for Plant, Equipment, Asset or a Portable and Attractive item.										
Depot/Location and Function (e.g. Fyshwick Hort)		Asset Number								
Item, Make, Model Number and Description _____	Reason for Disposal _____									
<table style="width: 100%; border: none;"> <tr> <td style="text-align: center; border: none;">Auction</td> <td style="text-align: center; border: none;">Method of Disposal</td> <td style="text-align: center; border: none;">Trade-In</td> <td style="text-align: center; border: none;">Destruction</td> </tr> <tr> <td style="text-align: center; border: none;"><input type="checkbox"/></td> <td style="text-align: center; border: none;"><input type="checkbox"/></td> <td style="text-align: center; border: none;"><input type="checkbox"/></td> <td style="text-align: center; border: none;"><input type="checkbox"/></td> </tr> </table>		Auction	Method of Disposal	Trade-In	Destruction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Value of Trade-in \$
Auction	Method of Disposal	Trade-In	Destruction							
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							
Signature of Action Officer	Signature of Manager									
Date...../...../.....	Date...../...../.....									

Attachment D – Small and Attractive Items Register Fields

Asset Class	Asset Type
ICT and Data	Data Collection
Plant and Equipment	Heavy Equipment
Staff Amenity	Kitchen/Cooking
ICT and Data	Office Equipment
ICT and Data	Comms
Fire Specific	Field Equipment
Plant and Equipment	Petrol Power Tools
Plant and Equipment	Electric Power Tools
Plant and Equipment	Hand Tools
Fire Specific	PPE
Fire Specific	Fire Comms
Office Equipment	Furniture
Staff Amenity	Exercise/Gym
Office Equipment	Conference/Meeting
Office Equipment	Display

Sub ID	Asset Sub Type
1	Chainsaw
2	Edge Trimmer
3	Line Trimmer
4	Hedge Trimmer
5	Generator
6	Blower
7	Lawn Mower
8	Pole Saw
9	Drill
10	Water Pump
11	Auger
12	Outboard Engine
13	Other
14	Brush Cutter
15	Spray Rig
16	Cement Mixer
17	Street Vacuum
18	Ladder
19	Jack
20	Wheel Barrow
21	Assorted Hand Tools
22	Trolley
23	Hand Spray pack
24	Oxy Kit
25	Vice
26	Compressor
27	Grinder
28	Drill
29	Saw
30	Grease Gun
31	fridge
32	BBQ
33	Coffee Machine
34	Cooker
35	Dishwasher
36	Microwave
37	Table/Chairs
38	Filing Cabinet
39	Cabinet/Locker
40	Bookshelf
41	Desk
42	Planex
43	Meeting Table
44	Whiteboard
45	Radio Equipment
46	Vacuum
47	Washing Machine
48	Welder
49	Camera
50	Printer
51	GPS
52	Scales
53	Shredder
54	Microscope/Binoculars

Attachment E – Small and Attractive Items Summary

Depot Name	Value of Assets (14 March 2012)	No of Items
Allara St Depot	94,875	163
Athllon Depot	144,933	245
Athllon Depot Carpenter	14,540	51
Belconnen Depot	89,685	181
Bendora	12,909	34
Birragai Outdoor School	19,500	448
Calwell Depot	45,330	72
Charnwood Depot	18,024	42
Fyshwick Depot	45,850	70
Glendale Depot	40,990	120
Googong / Kowen	49,836	123
Gungahlin HS	63,658	200
Kambah Depot	79,016	154
La Trobe Depot	21,356	43
Lake lab	13,640	25
Level 8 Macarthur House	128,663	234
Mitchell Depot	110,084	225
MRC Depot	70,138	181
Namadgi VS	39,330	113
Nicholls Depot	57,649	132
Stromlo Depot	142,394	243
Tidbinbilla NR	105,925	283
No Depot Allocated	94	20
Grand Total	\$1,408,420	3,402

Attachment F – Statement of Responsibility

We take responsibility for this report, which is prepared on the basis of the limitations set out below.

This report has been prepared in accordance with Australian Auditing Standard on Assurance Engagements – “Framework for Assurance Engagements” and subject to the following limitations:

Our procedures were designed to provide limited assurance as defined by the Framework for Assurance Engagements, which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available to the consultant is persuasive rather than conclusive in nature.

Further, the internal control structure of client has not been reviewed and no view is expressed as to its effectiveness.

The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management’s responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.



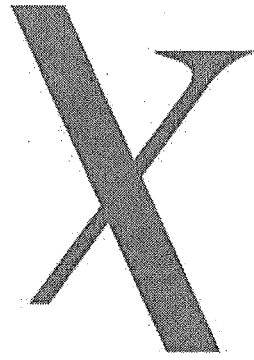
Parks and City Services Depots

ACT Government

Asset Control in relation to Parks and City Services
Depots

Report - July 2012

FINAL



17 July 2012

Mr Anthony Polinelli
Chief Internal Auditor
Department of Territory and Municipal Services (TAMS)
Macarthur House
12 Wattle Street Lyneham
Canberra ACT 2602

Dear Mr Polinelli,

FINAL REPORT - ASSET CONTROL IN RELATION TO PARKS AND CITY SERVICES DEPOTS.

If you have any questions please do not hesitate to contact me on 0414 950 033.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Steven Kouparitsas', is written over a light blue horizontal line.

Steven Kouparitsas
Partner
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Fax 02 6257 1270
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1. Executive Summary

1.1 Introduction

Parks and City Services (PACS) is a division of the ACT Government Territory and Municipal Services (TAMS) Directorate. PACS is responsible for the planning and management of the majority of ACT's parks, reserves, forestry plantations and public domains, including lakes, street trees, public open spaces and city places.

Our audit was conducted with the objective of assessing the effectiveness of Asset Control in relation to PACS. The audit shall review in particular:

- Processes and procedures underpinning small scale purchases within PACS; and
- The effectiveness of current stock control arrangements with a particular focus being paid to all forms of stock control in Depots.

Depots hold a substantial inventory of assets and stores. Valuable and attractive items often represent a major investment in resources. Control of assets, and asset management generally, constitute important elements of a Depot's internal control environment.

PACS procurement processes mirror that of other parts of the ACT Government.

Below is a summary of the key findings in relation to our audit and references to detailed findings included in Section 3 of this report.

1.2 Index of Findings

Ref/ Page No.	Assessed Risk	Findings
1/ pg8	High (7)	Lack of an up to date Portable & Attractive Items Policy
2/ pg12	High (7)	Inconsistent invoice coding and capture of portable and attractive items
3/ pg14	Very High (9)	No monitoring of the manual issuance register
4/ pg17	High (7)	Insufficient systems validations and data capture
5/ pg19	Very High (9)	No segregations of duties over the management of stocktakes
6/ pg21	High (7)	Limited procedural Guidance and training for recording items in the Small and Attractive Items Register
7/ pg24	High (8)	Quality assurance over correct asset capture and monitoring of other small scale purchases
8/ pg25	Very High (9)	No segregation of duties over disposed goods
9/ pg27	Medium (6)	Missing incident reports accompanying stolen or vandalised goods

1.3 Conclusion against Objectives

We have performed a review of Asset Control within Parks and City Services Depots (PACS) Depots. This review assessed governance processes, policies and procedures supporting the purchase of small scale assets in relation to PACS.

Overall there are three very high level risks noted and several areas of high and medium risk referenced above which require attention by PACS. The following key points are emphasised from our review:

- There is an overall lack of up to date guidance and policy for the acquisition, management and recording of small scale asset purchases for PACS;
- Insufficient system enforced controls over data capture within the Small & Attractive Items Register;
- Inadequate segregation over the stocktaking and disposal processes;
- Limited capture of purchase information which limits reporting and monitoring of purchases; and
- Insufficient monitoring and quality assurance over small scale asset purchases, in particular Small & Attractive Items.

In response to these issues we recommend that PACS:

- Develop a risk assessment which drives the update of the policies surrounding small scale asset purchases;
- Ensure consistency of processes driven by development of procedural guidance, to support recording, management, stocktaking, handling of missing/stolen items, disposals and reporting;
- Consider the Small and Attractive Items Register system improvements including the prospect of migrating to the IAMS solution; and
- Improve budgetary controls and other reporting and monitoring mechanisms over small scale asset purchases.

These are supported by more detailed recommendations within our report.

2. Objectives and Methodology

2.1 Audit Objectives

Our audit was conducted with the objective of assessing the effectiveness of Asset Control in relation to Parks and City Services Depots (PACS). The audit shall review:

- processes and procedures underpinning small scale purchases within PACS; and
- the effectiveness of current stock control arrangements with a particular focus being paid to all forms of stock control in depots.

Aspects of good practice or areas of innovation found during the review have also been reported within each detailed section 3.

2.2 Methodology

Our audit performed the following with respect to assessing the effectiveness of Asset Control in relation to PACS:

Purchasing Processes, Procedures and Control

- Obtain guiding purchasing policies and procedures in place supporting the purchase and issue of inventory;
- Understand and document via stakeholder discussions the processes and procedures supporting small scale purchases;
- Lines of responsibilities/accountabilities supporting the purchase and issue of inventory; and
- Identification of any gaps in control activities with respect to the recording of purchases and issuance of inventory from the Depots.

Management Monitoring Purchases

- Assess whether there are appropriate reporting and monitoring processes in place over purchases and inventory issues by management.

Analysis of small scale purchase and issue of purchases

- For the period July 2011 to January 2012 review the level of purchases within by each depot.
- By type of purchase, assess whether the levels purchased are commensurate with the business activities undertaken.
- Compare, for each depot, the volume of small scale purchases issued, if possible to where and/or to whom.
- For an agreed sample of purchases selected, analyse the level of stock on hand as at a given date during the audit and assess whether this is consistent with the level of purchases reviewed in the previous point, to assess any unexpected reductions in inventory levels.

2.3 Risk Ratings

Our assessment of risk for the findings raised, adhered to the methodology recommended in the Australian and New Zealand Risk Management Standard (AS/NZS ISO 31000:2009). This standard categorises organisational risks according to their likelihood and consequence. Refer to Attachment B for specific risk category table.

3. Detailed Findings – Asset Control in Parks and City Services Depots

3.1 Guiding policies and procedures in place supporting the purchase and issue of inventory

3.1.1 Organisational policies

Accounting Policies - Portable and Attractive Items

The ACT Accounting Policy - Portable and Attractive Items (Issued in November 2005) provides general guidance to ACT Government agencies on accounting for and the management of portable and attractive items. There is no specific policy on small assets which fall beneath the \$5,000 asset capitalisation threshold within ACT Government. The Portable & Attractive Items policy however, is tailored to capture assets that are perceived to be valuable and outlines the methods to record and manage these assets.

The policy is available at:

http://www.treasury.act.gov.au/accounting/download/AP_02.pdf

The policy states portable and attractive items are non-consumable items that:

- have a value below an agency's capitalisation threshold (this threshold is between \$2,000 and \$5,000); and
- are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale.

By definition, portable and attractive items do not meet the asset capitalisation threshold and, consequently, are expensed in the financial year in which they are acquired.

The PACS Small & Attractive Items Register (the Register) has been developed to support the compliance requirements under this policy.

The following key points are noted:

- The policy has not been reviewed for over 6 years.
- The minimum threshold for entry into the Register has been informally lowered to \$100, however this is not reflected in the accounting policy.
- The policy does state that agencies may set different thresholds for different categories of items, depending on the risk associated with each category and the agency's operating environment. Based on correspondence provided to Depots by PACS Management the lower threshold of \$100 was not made explicitly clear which could cause confusion.

Where agencies issue portable and attractive items to employees for their specific use, agencies should have appropriate systems in place to ensure that all items issued are returned (or accounted for) on or before the employee's last day with the agency.

The policy states the portable and attractive register must include the following information for each item:

- ID number (e.g. register or barcode number)
- description (e.g. brand, model, serial number, other identifying features)
- purchase date
- purchase cost (or equivalent)
- responsible area (e.g. branch/section)
- contact person/holder (e.g. name, phone number, location)
- disposal date
- disposal method (e.g. lost, stolen)

The Register has been configured to include all these data fields.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

1. Finding – Lack of an up to date Portable & Attractive Items Policy

Summary of the Finding	The Portable & Attractive Items policy has not been reviewed for over 6 years. The minimum threshold for entry into PACS Small & Attractive Items Register has been informally lowered to \$100. This was evidenced by correspondence provided by PACS Management to Depots via the yearly stocktaking activity process. This however, is not reflected in a formal policy.
Risk	High - Consequence: 4 Likelihood: 3 Total: 7 There is a risk that current processes for portable and attractive items do not align with policies and overall current PACS management intent. <i>(Reputation/ Business Process/Financial)</i>
Recommendation	Consideration should be put to increasing the capitalisation limit on designated assets, thereby allowing the accounting staff to focus its attention on the proper approval, tracking, and disposition of a smaller number of large dollar assets. PACS Management should perform a risk assessment to identify equipment at risk of misappropriation or loss valued up to \$5,000. This risk assessment should be used as the basis of a tailored Portable & Attractive Items Policy for PACS.
Management Response	Agree
Action Officer	PACS Business Manager
Timing for completion	September 2013

3.1.2 Purchasing delegations

Lines of responsibilities/accountabilities supporting the purchase and issue of inventory

Audit conducted asset procurement observations across 3 Depots within PACS, namely Belconnen, Nicholls & Kambah. The typical line of procurement approval observed within each Depot was:

Typical Depot Procurement Hierarchy



The Depot Support Officer role was primarily administrative by nature which included the responsibility to raise invoices. The Operations Supervisor (also known as the Depot Manager) oversees operations and approves expenditure to the limit of their delegation. The Operations Manager oversees a series of Depots, for example all north side operations. They have a delegation generally higher than the Operations Supervisor to approve expenditure.

Audit noted that there were inconsistencies between how invoices were being approved. For example:

- In Belconnen all Purchase Orders are prepared at the Depot with the authorisation occurring by the Operations Manager - North.
- In Tuggeranong purchases up to \$10,000 are authorised by the Operations Supervisor with the preparer being the Depot Support Officer. Items over \$10,000 are authorised by the Operations Manager – South.

The responsibility for the issuance of inventory lies with Operations Supervisors who have an independent role from other Depot staff.

3.1.3 Overview of Depot asset purchase process

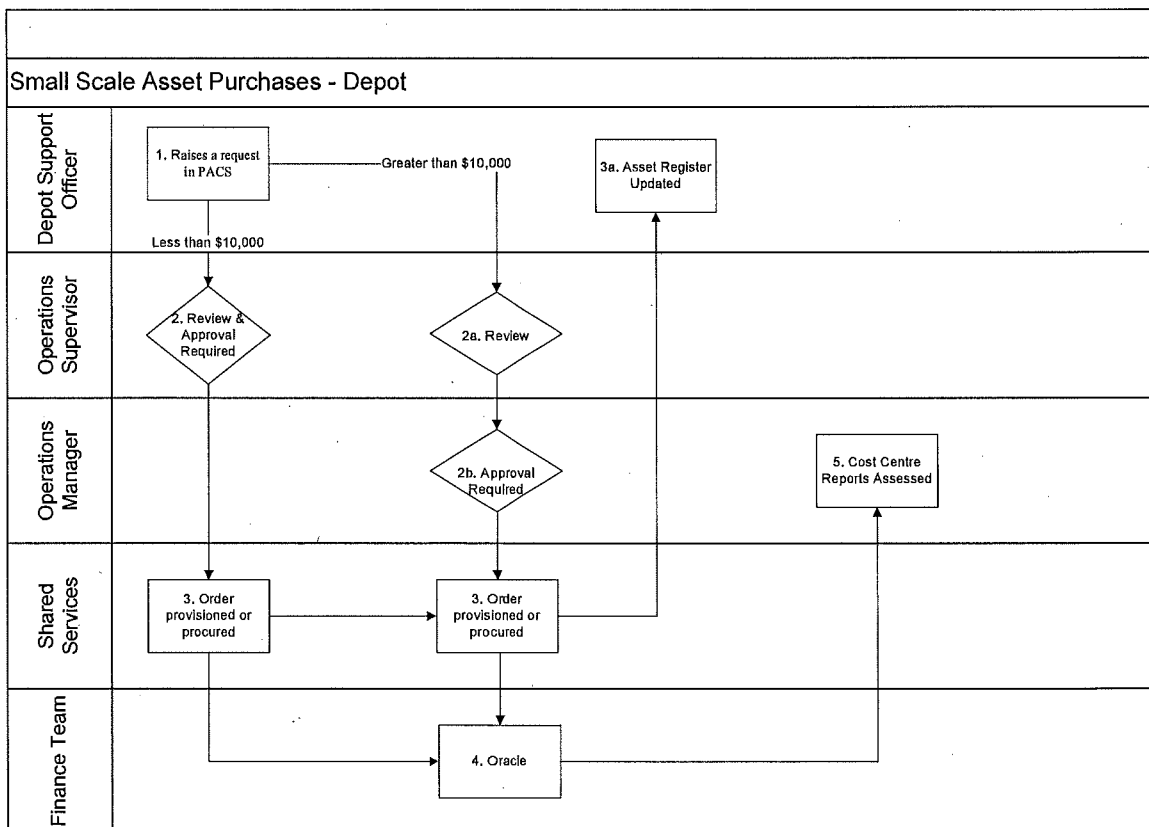
Purchase and issue of inventory and small scale asset purchases

Typically the Operations Supervisor's authorise purchases up to \$10,000 based on the delegation that they have. Operations Managers sign off on invoices over and above this for Depot purchases.

Purchase Orders are raised by Depot Support Officers but can be raised by anyone with access to the purchase order system within PACS. Refer to section 3.2.1 for further details on the purchase order system.

The typical steps in the small scale asset management process are described as follows:

1. **Asset Purchase:** The PACS Invoice Payment and Purchase Order System is designed to simplify creation, payment and tracking of PACS purchases. Generally speaking a purchase is initiated by a Purchase Order to a supplier raised by the Depot Support Officer.
2. **Financial Management:** The Finance team require all assets to be assigned to an entity, cost centre, natural account, project and programme. This aligns to the asset delivering for the appropriate business area.
3. **Approval:** Purchases up to \$10,000 are authorised by the Operations Supervisor with the preparer being the Depot Support Officer. Items over \$10,000 are authorised by the Operations Manager at PACS Macarthur House.
4. **Procurement:** When the goods have been received and the invoice is available for payment the signed Purchase Order cover sheet is sent to Shared Services with the invoice for payment through Oracle.
5. **Asset Register:** Assets covered by the Small and Attractive Items Register can be directly added from the invoice or edit screen of the PACS Invoice Payment and Purchase Order System by clicking "Add Asset." This will automatically populate the access database tables. In practice it was observed that Depots were utilising the 'Asset Acquisition Advice' form (Refer to Attachment C) and then manually sending to PACS Management for input into the Small & Attractive Items Register.



The following table describes the steps and responsibilities associated with a small asset request.

Step	Corresponding Process Label	Role	Description
1	Staff member raises a request	Depot Support Officer	The Depot Support Officer raises a Purchase Order via the PACS Invoice Payment and Purchase Order System.
2	Approval Required Under \$10,000	Operations Supervisor	Purchases up to \$10,000 are reviewed & authorised by the Operations Supervisor with the preparer being the Depot Support Officer. The purchase order system generates a hard copy covering sheet to allow signature approval.
2a	Review of Purchase over \$10,000	Operations Supervisor	The Operations Supervisor reviews invoices over \$10,000 before it is sent to the Operations Manager for approval.
2b	Approval Required Over \$10,000	Operations Manager	Items over \$10,000 are authorised by the Operations Manager at Macarthur House. The purchase order system generates a hard copy covering sheet to allow signature approval.
3	Order Provisioned or Procured	Shared Services	When the goods have been received and the invoice is available for payment the signed PO cover sheet is sent to Shared Services with the invoice for payment.
3a	Asset Register Updated	Depot Support Officer	The PACS Invoice Payment and Purchase Order System allow small and attractive assets to be input into the Small & Attractive Items Register directly.
4	Oracle Updated	Shared Services/Finance Team	Shared services process invoices through Oracle on behalf of Depots.
5	Cost Centre Reports Assessed	Operations Manager	Operations Managers can run reports from Oracle and analyse transactions for their respective cost centres which include asset purchases.

3.2 Understand and document via stakeholder discussions the processes and procedures supporting small scale purchases

3.2.1 Document the process supporting small scale asset purchases

Background

The PACS Invoice Payment and Purchase Order System is a Access database designed to simplify creation, payment and tracking of PACS purchases. It is used to generate purchase orders to suppliers. Generally speaking a purchase is initiated by a Purchase Order (PO) to a supplier.

When the goods have been received and the invoice is available for payment the signed PO cover sheet is sent to Shared Services with the invoice for payment through the Oracle finance system.

In almost all instances a PO is required to make a purchase. In the rare event of there being no account available with a supplier, there were some Depots that utilised a credit card for the purchase. The transaction would only be made after PACS Management approval at Macarthur House has been granted.

It was noted that there were poor descriptions for invoice coding on PO covering sheets. In some cases where a number of different types of goods were purchased from the same vendor on the same invoice the asset details would not be separated into multiple lines for Shared Service processing. The PO covering sheet has the functionality to allow the dissection of an invoice into multiple lines.

It was also noted (though not in the scope of this audit) that the processes governing the approval of PACS invoices could be prone to potential fraud if signatures are forged on PO covering sheets. Shared Services should consider a register of signatures to ensure that delegated officers are indeed authorising PO's correctly. There are no inbuilt system electronic approvals for purchasing to support a more secure method of authorisation.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

2. Finding –Inconsistent invoice coding and capture of portable and attractive items

Finding	<p>Descriptions on purchase order cover sheets that are used as input into the Oracle finance system were often not detailed enough to understand the nature of the expense or small asset purchased.</p> <p>Audit also observed that PACS invoices paid via purchase order covering sheets was prone to forgery without a verification process to ensure the legitimacy of signatures.</p>
Risk	<p>High - Consequence: 3 Likelihood: 4 Total: 7</p> <p>There is a risk that some purchases would not be identified as assets through Oracle transaction listings and that expense items are not entered with sufficient detail to allow correct recording, monitoring and tracking of individual items.</p> <p>(Reputation/ Business Process/Financial)</p>
Recommendation	<p>2a: Procedural guidance should be developed to outline the level of detail that must be captured on PO covering sheets to improve the invoice reference descriptions associated with small scale asset purchases. This will enable a sufficient level of detail to be captured as part of Shared Service processing to allow reporting and monitoring of purchases.</p> <p>Procedural guidance should be developed and include a complete end to end process for recording an asset within the Small & Attractive Items Register. Training should be provided to support any procedural guidance</p>

	<p>developed.</p> <p>2b: Shared Services should consider a register of signatures to ensure that delegated officers are indeed authorising PO's correctly. TAMS could provide the signature register to Shared Services to support this recommendation.</p> <p>As a long term recommendation TAMS should consider the implementation of a more sophisticated purchase order approval process system. This may include the development of a system that manages workflow capability.</p>
Management Response	<p>a) Agree</p> <p>b) Agree in principal. A register of signatures could be resource intensive due to staff turn-over. Any new PO approval system would need to be practical.</p>
Action Officer	<p>PACS Business Manager</p> <p>Shared Services/ TAMS Business Manager</p>
Timing for completion	September 2013

Purchase Cards & Petty Cash

The Depot field visits undertaken by Audit indicated that purchase cards were not being utilised to support vendor purchases. In some instances relationships were built with vendors but in all cases a purchase order would need to be presented in order to purchase an item.

Bunnings Cards have been issued to approximately 6 Depots to manage the purchase of some small scale items. Each card is registered with the Parks and City Services Depot allocated ID number and the name of the delegate authorised to use the card. Bunnings have been instructed to ensure that any purchases require confirmation of this delegate via photo ID and a signed purchase order.

There were issues of the account being placed on hold due to invoices not being paid on time. This was likely to have occurred as a result of invoices being issued without reference to a PO and thus the difficulty in assigning the purchase to a specific Depot.

For both Belconnen & Tuggeranong the level of purchasing with Bunnings was low. The total expenditure for the Depots amounted to less than \$5,000 for the 6 months ending 31 December 2011.

It is recommended that each Depot should be set up as a separate customer by Bunnings to ensure invoice tracking is more easily managed. It was noted that Bunnings are not complying with the ID check and PO requirement.

It was established that no petty cash fund is utilised to procure any type of purchase at the Depot's interviewed. Cash re-imburements related to staff matters and not purchases of assets. These types of re-imburement were conducted at Macarthur House through Payroll.

Managing attractive items from a security and issuance perspective.

The audit observed that a paper issuance register was kept for uniform items such as sunglasses and protective gloves. The manual register was created to issue property plant and equipment or clothing to Depot staff. It requires date of issuance, name of recipient, signature and the issued item. Any excessive use is tightly scrutinised by Depot management.

All valuable items are locked away in safe cabinets with senior Depot management only having access to keys. High volume, low value items that are perceived as attractive such as gloves and sunglasses may warrant other mechanisms to track stock levels.

Refer to Section 3.3.1 for a method of managing the risk associated with these uniform issued small value items.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

3. Finding – No monitoring of the manual issuance register

Finding	<p>Items, including Small & Attractive Items, which are issued to Depot staff are managed via manual paper issuance registers.</p> <p>Items such as uniforms are not recorded in the Small & Attractive Items Register, but are recorded on the manual issuance register.</p> <p>There were no independent audits conducted on the management and issuance of these valuable items.</p>
Risk	<p>Very High - Consequence: 5 Likelihood: 4 Total: 9</p> <p>Without an independent assessment of the small and attractive items issuance there is an increased risk of fraud.</p> <p>(Compliance/Business Process/Reputation)</p>
Recommendation	<p>Items identified in Depots as valuable should be scrutinised more fully by PACS Management as part of ad-hoc stocktaking, including reviews of the manual issuance registers for each Depot.</p> <p>Consideration should be placed on using the Small & Attractive Items Register to track issued stock to staff. This would require some level of modification to the existing Small & Attractive Items Register but would enable a complete tracking of an asset by PACS.</p>
Management Response	Agree
Action Officer	PACS Business Manager
Timing for completion	September 2013

3.2.2 Asset recording and verification

Finding - Background

Small and Attractive Items Register Recording

The Small & Attractive Items Register (the Register) was developed in late 2008 to provide a system solution to record small scale assets at PACS Depots. Before this much recording was conducted on manual paper forms by each Depot and kept on site. As previously mentioned, the purchase order system has a button to link to the Register and support the recording of small and attractive assets. This should be completed each time a new asset is purchased.

When a small scale asset item is purchased which is covered by the policy requirements of the Register, it can be directly added from the invoice or edit screen of the PACS Invoice Payment and Purchase Order System by clicking "Add Asset." This will automatically populate the Register access database tables. If Depots have forgotten to input the details via the Purchase Order System then they have the ability to notify the PACS Project Officer supporting the database who resides in PACS Management at Macarthur House.

The input variables to the Register include:

- Asset ID;
- Acquisition Date;
- Depot;
- Asset/Class;
- Asset Type;
- Asset Bar Code;
- Description;
- Serial Number;
- Value; and
- PO Number.

Details of Asset Class Categories and the number of items recorded as at the 14th of March 2012 are:

Asset Class	No of Items
Fire Specific	19
ICT and Data	331
Office Equipment	1,145
Plant and Equipment	1,685
Staff Amenity	179
No Asset Class	43
Grand Total	3,402¹

Refer to Attachment D for a list of Asset Types & Asset Sub Types. The Register has been developed to allow sufficient details to be recorded for each asset for verification and tracking purposes.

Attachment E splits the number of items recorded by Depot and the corresponding value recorded. The Register has a total of \$1,408,420 worth of assets recorded for all Depots within PACS.

¹ 3,402 is the current active asset listing as at the 14th of March 2012. There were 125 additional items with a date of loss/disposal recorded.

Input fields for the Register are not all mandatory. As a result, many fields are not populated resulting in poor data quality. For example some items do not state asset types, or serial numbers or values. Incomplete data would make asset stock verification difficult.

Comprehensive details including the serial number should be recorded, to allow the specified equipment to be easily tracked at any time and to ensure that the equipment will be covered in the event of loss or damage.

Although the Register did allow the ability to distinguish between each Depot when recording assets, it did not allow a further breakdown by Business Unit. In the case of Depots that have separate responsible areas such as Tree Surgery, Fire Unit, Tree Surgery, Horticulture and Cleaning or Pest Control it is difficult to isolate assets within the Register.

It was observed that the Depots visited were not utilising the direct system method of updating the Small and Attractive Items Register rather a manual 'Asset Acquisition Advice' paper form was being filled and sent to PACS Management to input to the Register centrally. In simple terms the process was:

<u>Step</u>	<u>Action</u>
1	Goods received and invoice approved.
2	Invoice sent to Shared Services and entered onto Oracle.
3	Asset Addition/Transfer/Write-off form with a clearly marked copy of the invoice is sent to the PACS Project Officer responsible for the Register.
4	Project Officer arranges for Asset Register to be updated.

Consideration should be given to implementing a catalogue listing of items to allow uniform recording of descriptions. Further, data capture could include a quantity field to better support recording.

Given the lack of mandatory data captured with existing assets there would need to be a project to assess the missing input variables for all assets and populate all required fields. The project would require a complete stocktake of all Depots to ascertain what variables require population.

As consequence of these findings the current Register cannot be relied upon as a true reflection of small asset holdings under \$5,000.

Small & Attractive Items Register Security

Audit also observed that the Register did not have inbuilt audit logs to support the tracking of modifications to the supporting database. Effective audit logging is important for the security and reliability of the Register. Logs can be used to detect suspicious activity, which frequently provides early indications of an attack on the system. Failing to do so can leave the application vulnerable to repudiation threats. Auditing is generally considered most authoritative if the log information is generated at the precise time of resource access.

There was also a lack of security over the Registers supporting database. Any PACS staff with access to the network drive that the database resides on could access the database tables from the back end and make unauthorised changes. Also, any user with access to the PACS Purchase Order System has the ability to add assets to the Register. There are no specific user profiles for the Register.

There is also a lack of business documentation around the development of the database. The current database administrator and initial developer of the system holds much of this knowledge that is undocumented in any sufficient detail. There is a risk of corporate knowledge loss in the event of their departure.

Consideration of IAMS Solution

The Integrated Asset Management System (IAMS) was implemented by TAMS to upgrade and fully integrate a range of legacy asset management systems into a single integrated solution. TAMS is

responsible for an extensive range of asset types paralleling those of large local government authorities.

Audit explored the possibility of utilising IAMS as a solution to manage small scale asset recording. The IAMS solution is tailored to both linear referencing and spatial location capabilities offering asset managers referential and absolute locations of their assets. The system also has the capability of managing the recording of small scale assets in line with existing processes with the added benefit of a defined system with inbuilt controls. IAMS has extensive reporting capabilities that would support any management requirements.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

4. Finding – Insufficient systems validations and data capture

Finding	<p>The database that supports the Small and Attractive Items Register does not contain adequate system validations and does not enforce capture of data by mandatory fields.</p> <p>From a database security perspective, the Small and Attractive Items Register does not have logging capabilities enabled, and general security over the database supporting the Small and Attractive Items Register is lacking.</p>
Risk	<p>High - Consequence: 3 Likelihood: 4 Total: 7</p> <p>There is a risk that the data quality of the Register will impact on the effectiveness of stocktaking.</p> <p>There is also an increased risk of unauthorised changes being made to the Register.</p> <p>(Business Process/Financial)</p>
Recommendation	<p>Alternative One: It is recommended that PACS develop more front end system validations including required fields to support improved data capture of small scale assets.</p> <p>Given the lack of data capture with existing assets, there would need to be a project to assess the missing input variables for all assets to allow the population of all required fields. This may require a complete and thorough stocktaking of all Depots.</p> <p>Consideration should be given to implementing a catalogue listing of asset items to allow uniform recording of descriptions. Further the data capture could include a quantity field to better support recording of multiple purchases of the same asset. The front end capture should also have a mandatory field to record the Business Unit within each Depot.</p> <p>Audit also recommends that PACS Management ensure database logging capabilities are implemented and that the outputs of these logs are monitored to ensure data integrity. PACS Management should also ensure that there is sufficient business documentation that details the development of the database.</p> <p>Alternative Two: Building on alternative one, PACS Management should explore and consider the potential migration to the IAMS Asset solution. IAMS provides all the system input and security controls to support alternative one. Before any migration PACS Management should ensure that all asset data is</p>

	captured and complete.
Management Response	Agree – PACS need to review to determine which is the preferred option.
Action Officer	PACS Business Manager
Timing for completion	December 2012

3.2.3 Stocktaking

Stocktaking Policies

The ACT Accounting Policy for Portable and Attractive Items states that stocktakes are the mechanism that assists the director-generals and chief executive officers in confirming the existence and proper control over assets. Stocktakes also ensure that operational units are accountable for the portable and attractive items under their control and assist them to:

1. identify items that have been lost or stolen and, where possible, recover them; and
2. assess the effectiveness of control practices for portable and attractive items and, where required, improve them.

According to the policy agencies must ensure that stocktakes of portable and attractive items are performed at least once a year, in order to safeguard identified portable and attractive items.

The results of each stocktake must be provided to the head of the operational unit or cost centre responsible for reporting on portable and attractive items. The head of the operational unit or cost centre should then address any significant issues of concern.

Stocktaking Process & Barcodes for Assets

PACS Management provides barcode stickers to each Depot to support the identification of their assets. Barcodes are required to be attached to each new small attractive asset. Barcodes are unique for each Depot.

A barcode scanner was used through each Depot to support stocktaking purposes. This process has proven time consuming and some problems have been encountered with the scanner including a minor system problem and some operator errors.

As a result of the scanner issues Depots were issued with lists of assets extracted from the Small and Attractive Items Register which included the barcode issued numbers and asked to perform an internal stocktake.

As part of the stocktake process Depots:

- physically located the items;
- cross referenced the item to the barcode record on the asset listing;
- confirmed the items existence and marked items on the asset listing; and
- in the instance of new items being discovered without a barcode, a barcode was placed on the items and the asset was recorded on the Small & Attractive Items Register.

Advice from Depots was that often barcodes fell off items or could be peeled off easily. Items that could not be found as part of stocktaking would then trigger the requirement to complete a security form and an 'Asset Disposal Advice' form. It was clearly evident that Depots were largely autonomous

in their stocktaking activities and that independent parties (such as PACS Management) were not present to enforce segregations.

Stocktaking Improvements

One officer in each Depot should be assigned the responsibility of maintaining the Register. This officer should review minor asset purchases at least quarterly and record any items which are considered portable and attractive and have a value of greater than the agreed lower limit and less than \$5,000 on the Depot's Register.

A stocktake of all Register items must be undertaken annually. The stocktake should be performed by an officer other than the officer responsible for the maintenance of the Register. The results of each stocktake must be provided to the relevant PACS Management division head who should then address any significant issues of concern. The division head must authorise the removal of all lost and stolen items from the Register.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

5. Finding –No segregations of duties over the management of stocktakes

Finding	<p>Currently there is no consistent approach to stocktaking across Depots. Due to staff resourcing concerns there has not been a representative from PACS Management present to oversee the stocktaking process at all Depots.</p> <p>The responsibility of performing the stocktake rests with the area responsible for the portable and attractive register. However the policy states, the person assigned to perform the stocktake must not maintain the portable and attractive register.</p> <p>A barcode scanner was used through each Depot to support stocktaking purposes. This process has proven time consuming and some problems have been encountered with the scanner including a minor system problem and some operator errors.</p>
Risk	<p>Very High - Consequence: 5 Likelihood: 4 Total: 9</p> <p>A lack of segregation of stocktaking duties from purchasing of assets and maintenance of the Small & Attractive Items Register increases the risk of fraudulent activity.</p> <p>(Reputation/Business Process/Financial)</p>
Recommendation	<p>5a: There needs to be a clear separation between purchasing and stocktaking activities to ensure independence is present in the stocktaking process.</p> <p>It is recommended that proper segregation of duties must exist during stocktake.</p> <p>PACS Management need to ensure that the stocktake team consists of:</p> <ol style="list-style-type: none"> 1. Depot Representative(s) (Warehouse personnel); and 2. Checkers (Staff from PACS independent of Depot). <p>Rather than conduct the stocktake during one period of the year for all Depots, PACS Management should develop a rotational calendar of when stocktakes will occur.</p> <p>PACS Management should undertake sample physical count of inventory throughout the year. The focus however, should be on areas of high risk.</p> <p>5b: PACS Management should investigate the issues surrounding the barcode scanner more fully and consider the re-implementation of its use.</p>

	There should be testing and procedural documentation developed for the existing barcode scanner to support a more streamlined and efficient stocktaking.
Management Response	a) Agree – outline in procedures - November 2012 b) Review of barcode system - December 2012
Action Officer	PACS Business Manager
Timing for completion	See Management Response for timing.

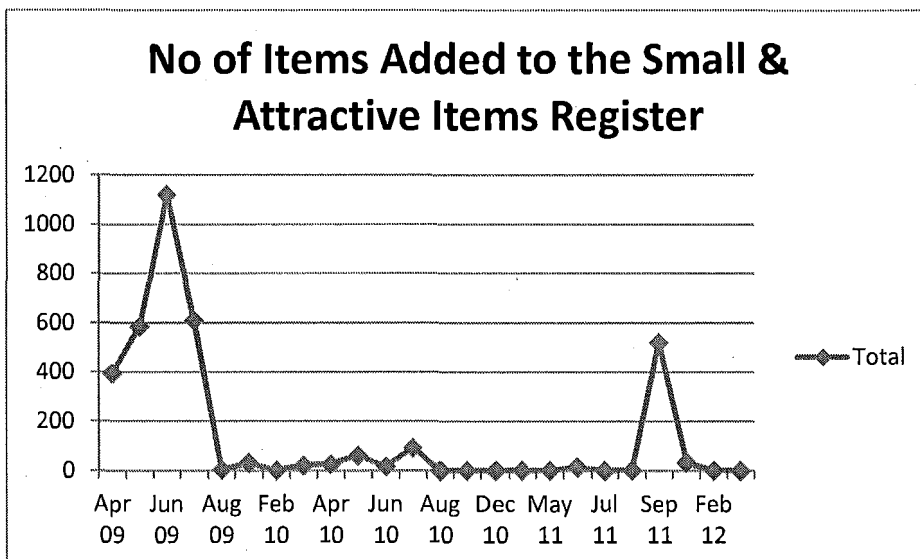
3.2.4 Compliance with Accounting Policies

Small and Attractive Items Register Compliance

In accordance with the ACT Accounting Policy for Portable and Attractive Items, all areas in PACS need to keep current registers of their portable and attractive items and prior audits have picked up the lack of a key, coordinated register.

The Parks & Reserves Depot has not complied with this requirement and has no inputs in the Small and Attractive Items Register. All other Depots have records within the Register noting the comments previously made around data quality and completeness. Refer to Appendix E for a summary of items by Depot.

It was noted that no independent reporting was conducted on the Register apart from work conducted as part of stocktaking activities. Audit plotted the number of items recorded since the Register was put into operation in April 2009. It was clearly evident that most items were placed onto the Register as part of stocktaking activities and not via normal procurement activity throughout the year. This indicates non-compliance with the Register's intentions. Items that have not been recorded on the Register at the time of purchasing and are subsequently misplaced may not be identified as part of stocktaking activities.



Procedural documentation supporting small scale asset purchases

There are instructions to help utilise the Small and Attractive Items Register. However this is not a formal document and has not been circulated to the staff at Depots.

There was clear evidence that some Depot Support Officers were unaware of the existence and required responsibilities to record assets. New Depot Support Officers should undertake formal training in this area as part of their induction.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

6. Finding – Limited procedural guidance and training for recording items in the Small and Attractive Items Register

Finding	<p>There are basic instructions to help utilise the Small and Attractive Items Register. However this is not a formal document and has not been circulated to the staff at Depots.</p> <p>Our investigation noted that most staff at the Depots were unaware of the existence of the automated method of adding assets to the Small and Attractive Items Register.</p> <p>There was no consistent method of recording assets in the Register. Typically Depots use a manual Asset Acquisition Advice form to notify PACS Management of an asset purchase rather than the automated method of recording.</p> <p>It was also clearly evident that most items were placed onto the Register as part of stocktaking activities and not via normal procurement activity throughout the year.</p>
Risk	<p>High - Consequence: 4 Likelihood: 3 Total: 7</p> <p>There is a risk that manual asset forms will be misplaced and thus small scale assets not recorded in the Register.</p> <p>(Business Process/Financial)</p>
Recommendation	<p>It is suggested that PACS Management improve the procedural documentation that supports the Small & Attractive Items Register.</p> <p>It is recommended that formal training of the Register be conducted across all Depots to ensure that automated methods of data capture are utilised. Completion of the Asset Acquisition Advice forms by Depots should be continued in tandem with the automated update and used as a cross check by PACS Management.</p> <p>PACS Management should ensure that Register procedural documentation is complete and properly maintained on file and complies with accounting policy requirements.</p> <p>As previously mentioned in Finding 2 Audit recommends a procedural guide to support the purchase and management of small scale assets. This would include the development and use of a checklist of required actions in relation to the:</p> <ul style="list-style-type: none"> • Purchase, recording and issuance of small scale assets; • Process for stocktaking; and • Handling of missing/stolen items and disposed goods
Management	Agree

Response	
Action Officer	PACS Business Manager
Timing for completion	September 2013

3.3 Identification of any gaps in control activities with respect to the recording of purchases, issuance and disposal from the Depots

3.3.1 Identified Control gaps

Finding – Background

Depot Cost Centre Analysis

Audit reviewed the cost centre transactions associated with Belconnen, Kambah & Calwell and observed the nature and type of vendors being utilised and whether this was appropriate, with consideration of Depot size and requirements. By type of purchase, Audit assessed whether the levels purchased were commensurate with the business activities undertaken.

Audit used the period 1 July 2011 to January 2012 to review purchases. It was noted that there were 74 vendors utilised for Tuggeranong and 85 for Belconnen. All transactions observed appeared in line with typical Depot activity.

Audit did observe that there was a general lack of analysis of cost centre transactions through the Oracle ledger by PACS Management. Depot Support Officers also did not have access to transactional data in Oracle.

As part of PACS Management quality assurance programs to ensure all small scale assets are captured certain vendors that are consistently used to procure small scale assets should be scrutinised. Audit observed instances of small scale asset purchases that had not been recorded in the Small & Attractive Items Register.

For example for the Tuggeranong region the following blower was purchased for \$461 in September 2012:

"PURCHASE OF BLOWER AND BLADES BOP E13" but had not been coded to the Register. This was further evidence of non-compliance of Register requirements.

In order to isolate and support identification of items that should be placed onto the Small and Attractive Items Register it is suggested that the coding of invoices to the accounting system be more targeted. For example a specific cost element within Oracle could be utilised to support the identification of invoices relating to such items. An item could be coded to the following sub-object classifications using an internal number of 12 to represent an item to be recorded in the Small & Attractive Items Register which would support identification and reporting in the Oracle ledger, for example:

Entity	Cost Centre	Natural Account	Internal	Project	Programme	Value
xxx	xxxxx	R&M - Plant & Equipment	12	xxxxx	xxxx	\$461

Small items relating to valuable uniform issuances such as gloves, ear muffs, sunglasses & sunscreen would be best tracked if items were purchased from the same vendor, where possible. Consideration should be sought to procure these items centrally before distribution to Depots. Trend analysis could be performed by PACS Management to compare expenditure by Depot and gain a level of assurance on usage patterns. The values of these items do not justify recording as a small scale asset. As mentioned in Finding 1 a risk assessment would support the justification of which assets should be tracked via the Register.

Audit attempted to assess whether there are appropriate reporting and monitoring processes in place over purchases and inventory issued by management. Currently there is no monitoring or budgetary analysis conducted at the Depots, rather budgetary analysis is conducted centrally by PACS Management after the items are purchased.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

7. Finding –Quality assurance over correct asset capture and monitoring of other small scale purchases

<p>Finding</p>	<p>Our review indicated that there was a lack of detailed analysis conducted on transactional data within the Oracle finance system. Based on detailed audit analysis of a sample of Depots it was evident that there were small scale assets that were not recorded in the Small & Attractive Items Register.</p> <p>It was also observed that Depot Support Officers did not have access to transactional data in Oracle.</p> <p>Currently there is no monitoring or budgetary analysis conducted at the Depots, rather budgetary analysis is conducted centrally by PACS Management however this review occurs after the items are purchased</p>
<p>Risk</p>	<p>High - Consequence: 4 Likelihood: 4 Total: 8</p> <p>There is a risk that some items that should be captured are not being recorded in the Register in a timely manner or at all.</p> <p>There is a risk that the issue of other small scale items is not adequately monitored to ensure it is within acceptable levels or budgets.</p> <p>(Reputation/Business Process/Financial)</p>
<p>Recommendation</p>	<p>7a: PACS Management should perform quality assurance processes to ensure all Small & Attractive Items are captured correctly in the Register. Further, all transaction postings through Oracle should be scrutinised for validity.</p> <p>7b: Cost coding to a specific Internal Order number could support more targeted recording of items relating to small scale asset purchases. There should be greater budgetary control over the purchasing process.</p> <p>7c: All Depot Support Officers should be provided a quarterly report of transactions for their respective cost centres or access to Oracle to review transaction postings and alignment with the Small & Attractive Items Register.</p> <p>There should also be formal sign off of Oracle cost centre transaction listings by Depot Support Officers to support stocktaking activities and validating purchases of assets.</p> <p>The Depot Support Officer in each Depot should be assigned the responsibility of maintaining the Small & Attractive Items Register. This officer should review minor asset purchases at least quarterly and record any items which are considered portable and attractive that have a value of between the agreed lower limit and \$5,000 on the Depot's Register.</p>
<p>Management Response</p>	<p>a) Agree - Sept 2013</p> <p>b) Review/creation of cost codes - Sept 2012</p>

	c) Include in procedures / training required - Sept 2012
Action Officer	PACS Business Manager Finance Section/Shared Services/Operational Managers PACS Business Manager/ DSO/Supervisor
Timing for completion	See Management Response above for timing.

Compliance with disposal policies and procedures.

Disposal policies as per ACT Government accounting policies note that:

"Agencies must have adequate controls over the removal of portable and attractive items from the register. All items removed must be properly authorised by the head of the responsible area and cannot be undertaken by the person assigned to maintain the portable and attractive register.

Information relating to items that are lost or stolen should be retained for at least three years, to assist in assessing the effectiveness of the area's control of portable and attractive items as well as identifying any emerging trends. This information can be reinstated on the register if the items are recovered."

It was observed that Depots largely manage the disposal of the physical goods themselves. Advice is provided to the PACS Management team for asset removal, this is generally performed by sending an Asset Disposal Advice form (refer to Attachment C) to the responsible delegate within the PACS Management team at Macarthur House.

Depots advised that some disposed items are kept as spare parts. If they cannot be reused items are sent to Pickles Auctioneers after the Fleet Management Team are contacted at Macarthur House.

With regard to the write-off of an asset, the policy states the delegate must be satisfied with one of the following:

- loss of an asset; or
- theft of an asset; or
- the asset has become unserviceable; or
- the asset has become obsolete.

In situations where assets cannot be located, write-off action should not occur until it is clear that the asset in question has been lost or stolen. Once approval to write-off the value of an asset has been obtained, the asset should be removed from the Register and the relevant Agency account in a timely manner.

It was noted that if Depots identify, as part of stocktaking activities, an item that has been disposed of or lost that advice is provided to PACS Management for the removal of that item. The PACS Project Officer then manually removes the item from the Register.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

8. Finding – No segregation of duties over disposed goods

Finding	<p>It was noted that there was a lack of segregation between the authoriser of asset purchasers and the ultimate decision maker on asset disposal within Depots.</p> <p>Items identified as being surplus to Depot requirements through stocktaking activities were removed from the Small & Attractive Items Register through advice from Depot Management to PACS Management. There was insufficient scrutiny to ensure that any disposals were legitimate.</p>
Risk	<p>Very High - Consequence: 5 Likelihood: 4 Total: 9</p> <p>There is an increased risk of fraudulent activities due to a lack of segregations in the disposal process.</p> <p>(Reputation/Financial)</p>
Recommendation	<p>It is recommended that all surplus items should be sent to a central repository to manage the disposal process and ensure segregations from the purchasing responsibilities are met.</p> <p>PACS Management must ensure any items removed from the Register have an accompanying Asset Disposal Advice form. In the event of goods being identified as suitable for spare parts, PACS Management, as an independent reviewer, must authorise such occurrences via formal approval.</p> <p>There should be sufficient detail recorded in the Register to allow reporting of disposed items by Depots.</p>
Management Response	Agree
Action Officer	Operational Managers & Supervisors
Timing for completion	December 2012

Management of the Small & Attractive Items Register.

Depots generally had suitable Registers for recording and tracking their attractive assets. However there were weaknesses in practice which have been detailed previously in this report. These included: Registers that were incomplete or out of date, inaccurate records, inadequate checking of physical assets against records, and inadequate monitoring of losses and discrepancies. As a result, not all assets had been registered and not all could be located.

As mentioned in **Finding 4**, it is recommended that the registration of assets via the purchase order system should have inbuilt required fields to ensure complete and consistent capture of data for the Small & Attractive Items Register.

Controls to identify and remove misplaced or lost assets/portable and attractive items from the register

In the event of assets/portable and attractive items being lost or misplaced, Audit suggests Management should investigate the whereabouts or reason why the asset or attractive item has gone missing. Should the investigation prove negative, an asset disposal report will be produced for those items in question and the disposal approved and submitted to Management. The details of this report should include the following information:

1. Date of loss;
2. Circumstances of loss;
3. Description including model and serial numbers; and
4. Barcode/Register equipment list item number.

Findings/Risks/Recommendation/Management Comment/Action Officer/ Estimated Completion

9. Finding – Missing incident reports accompanying stolen or vandalised goods and stocktaking variances

Finding	Audit observed that when an asset is identified as missing that a security incident form was not filled in all cases.
Risk	<p>Medium - Consequence: 2 Likelihood: 4 Total: 6</p> <p>There is a risk that assets misplaced or lost may not be reported accurately.</p> <p>(Business Process/Financial)</p>
Recommendation	<p>An incident report should accompany any items that have been stolen or vandalised. All items that are misplaced or stolen require recording in the Small & Attractive Items Register, however it was observed that this was not completed in all cases. There is a security incident form that should be filled in and referenced in the Register. Misplaced or stolen Items not recorded in the Register cannot be identified during stocktake.</p> <p>Audit recommends the use of pre-numbered acquisition and disposal forms. Each Depot would be provided pre-numbered asset acquisition and disposal forms, and track the status of each form.</p> <p>PACS Management must ensure that all items marked as missing or lost in the Small and Attractive Items Register has an accompanying security form.</p> <p>After each stocktake a copy of the variance report and stock valuation report with "Stocktake Check List" attached should be forwarded to the PACS Management team for perusal and comment. The PACS Management team with the delegated authority should then accept the adjustments or reject the stocktake or part thereof and appoint an independent person to enquire into the deficiency or result.</p>
Management Response	Agree
Action Officer	PACS Business Manager and Business Unit Managers

<i>Timing for completion</i>	December 2012
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Attachment A – Recommendation Summary

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
1	<p><i>Lack of an up to date Portable & Attractive Items Policy</i></p> <p>Consideration should be put to increasing the capitalisation limit on designated assets, thereby allowing the accounting staff to focus its attention on the proper approval, tracking, and disposition of a smaller number of large dollar assets.</p> <p>PACS Management should perform a risk assessment to identify equipment at risk of misappropriation or loss valued up to \$5,000. This risk assessment should be used as the basis of a tailored Portable & Attractive Items Policy for PACS.</p>	<p><i>High - Consequence: 4 Likelihood: 3 Total: 7</i></p> <p>There is a risk that current processes for portable and attractive items do not align with policies and overall current PACS management intent.</p> <p><i>(Reputation/ Business Process/Financial)</i></p>	Agree	PACS Business Manager	September 2013

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
3	<p><i>No monitoring of the manual issuance register</i></p> <p>Items identified in Depots as valuable should be scrutinised more fully by PACS Management as part of ad-hoc stocktaking, including reviews of the manual issuance registers for each Depot.</p> <p>Consideration should be placed on using the Small & Attractive Items Register to track issued stock to staff. This would require some level of modification to the existing Small & Attractive Items Register but would enable a complete tracking of an asset by PACS.</p>	<p>Very High Consequences: 5 Likelihood: 3 Total: 9</p> <p>Without an independent assessment of valuable items issued there is an increased risk of fraud.</p> <p>(Compliance/Business Process/Reputation)</p>	<p>Agree</p>	<p>PACS Business Manager</p>	<p>Sept 2013</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
4	<p>Insufficient systems validations and data capture</p> <p>Alternative One: It is recommended that PACS develop more front end system validations including required fields to support improved data capture of small scale assets.</p> <p>Given the lack of data capture with existing assets, there would need to be a project to assess the missing input variables for all assets to allow the population of all required fields. This may require a complete and thorough stocktaking of all Depots.</p> <p>Consideration should be given to implementing a catalogue listing of asset items to allow uniform recording of descriptions. Further the data capture could include a quantity field to better support recording of multiple purchases of the same asset. The front end capture should also have a mandatory field to record the Business Unit within each Depot.</p> <p>Audit also recommends that PACS Management ensure database logging capabilities are implemented and that the outputs of these logs are monitored to ensure data integrity. PACS Management should also ensure that there is sufficient business documentation that details the development of the database.</p> <p>Alternative Two: Building on alternative one, PACS Management should explore and consider the potential migration to the IAMS Asset solution. IAMS provides all the system input and security controls to support alternative one. Before any migration PACS Management should ensure that all asset data is captured and complete.</p>	<p>High- Consequence: 3 Likelihood: 4 Total: 7</p> <p>There is a risk that the data quality of the Register will make stocktaking activities more difficult.</p> <p>There is also an increased risk of unauthorised changes being made to the Register.</p> <p>(Business Process/Financial)</p>	<p>Agree – PACS need to review to determine which is the preferred option.</p>	<p>PACS Business Manager</p>	<p>December 2012</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
6	<p>Limited procedural guidance and training for recording items in the Small and Attractive Items Register</p> <p>It is suggested that PACS Management improve the procedural documentation that supports the Small & Attractive Items Register.</p> <p>It is recommended that formal training of the Register be conducted across all Depots to ensure that automated methods of data capture are utilised. Completion of the Asset Acquisition Advice forms by Depots should be continued in tandem with the automated update and used as a cross check by PACS Management.</p> <p>PACS Management should ensure that Register procedural documentation is complete and properly maintained on file and complies with accounting policy requirements.</p> <p>As previously mentioned in Finding 2 Audit recommends a procedural guide to support the purchase and management of small scale assets. This would include the development and use of a checklist of required actions in relation to the:</p> <ul style="list-style-type: none"> • Purchase, recording and issuance of small scale assets; • Process for stocktaking; and • Handling of missing/stolen items and disposed goods 	<p>High - Consequence: 4 Likelihood: 3 Total: 7</p> <p>There is a risk that manual asset forms will be misplaced and thus small scale assets not recorded in the Register.</p> <p>(Business Process/Financial)</p>	Agree	PACS Business Manager	Sept 2013

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
7	<p>Quality assurance over correct asset capture and monitoring of other small scale purchases</p> <p>7a: PACS Management should perform quality assurance processes to ensure all Small & Attractive Items are captured correctly in the Register. Further, all transaction postings through Oracle should be scrutinised for validity.</p> <p>7b: Cost coding to a specific Internal Order number could support more targeted recording of items relating to small scale asset purchases. There should be greater budgetary control over the purchasing process.</p> <p>7c: All Depot Support Officers should be provided a quarterly report of transactions for their respective cost centres or access to Oracle to review transaction postings and alignment with the Small & Attractive Items Register.</p> <p>There should also be formal sign off of Oracle cost centre transaction listings by Depot Support Officers to support stocktaking activities and validating purchases of assets.</p> <p>The Depot Support Officer in each Depot should be assigned the responsibility of maintaining the Small & Attractive Items Register. This officer should review minor asset purchases at least quarterly and record any items which are considered portable and attractive that have a value of between the agreed lower limit and \$5,000 on the Depot's Register.</p>	<p>High - Consequence: 4 Likelihood: 4 Total: 8</p> <p>There is a risk that some items that should be captured are not being recorded in the Register in a timely manner or at all.</p> <p>There is a risk that the issue of other small scale items is not adequately monitored to ensure it is within acceptable levels or budgets.</p> <p>(Reputation/Business Process/Financial)</p>	<p>Agree</p> <p>Review/creation of cost codes</p> <p>Include in procedures / training required</p>	<p>PACS Business Manager</p> <p>Finance Section/Shared Services/Operational Managers</p> <p>PACS Business Manager/ DSO/Supervisor</p>	<p>Sept 2013</p> <p>Sept 2012</p> <p>Sept 2012</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
8	<p>No segregation of duties over disposed goods</p> <p>It is recommended that all surplus items should be sent to a central repository to manage the disposal process and ensure segregations from the purchasing responsibilities are met.</p> <p>PACS Management must ensure any items removed from the Register have an accompanying Asset Disposal Advice form. In the event of goods being identified as suitable for spare parts, PACS Management, as an independent reviewer, must authorise such occurrences via formal approval.</p> <p>There should be sufficient detail recorded in the Register to allow reporting of disposed items by Depots.</p>	<p>Very High</p> <p>Consequence: 5 Likelihood: 4 Total: 9</p> <p>There is an increased risk of fraudulent activities due to a lack of segregation in the disposal process</p> <p>(Reputation/Business Process)</p>	Agree	Operational Managers & Supervisors	Dec 2012

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimation Completion Date
9	<p>Missing incident reports accompanying stolen or vandalised goods and stocktaking variances</p> <p>An incident report should accompany any items that have been stolen or vandalised. All items that are misplaced or stolen require recording in the Small & Attractive Items Register, however it was observed that this was not completed in all cases. There is a security incident form that should be filled in and referenced in the Register. Misplaced or stolen Items not recorded in the Register cannot be identified during stocktake.</p> <p>Audit recommends the use of pre-numbered acquisition and disposal forms. Each Depot would be provided pre-numbered asset acquisition and disposal forms, and track the status of each form.</p> <p>PACS Management must ensure that all items marked as missing or lost in the Small and Attractive Items Register has an accompanying security form.</p> <p>After each stocktake a copy of the variance report and stock valuation report with "Stocktake Check List" attached should be forwarded to the PACS Management team for perusal and comment. The PACS Management team with the delegated authority should then accept the adjustments or reject the stocktake or part thereof and appoint an independent person to enquire into the deficiency or result.</p>	<p>Medium - Consequence: 2 Likelihood: 4 Total: 6</p> <p>There is a risk that assets misplaced or lost may not be reported accurately.</p> <p>(Business Process/Financial)</p>	Agree	PACS Business Manager and Business Unit Managers	December 2012

Attachment B – Risk Rating

>6: High and >8 Very High risk
 – detailed action plan required

5, 6: Medium risk
 – needs senior management attention
 – specify management responsibility

<5: Low risk
 – manage by routine procedures

High or Extreme risks must be reported to Senior Management and require detailed treatment plans to reduce the risk to Low or Medium.

		Consequence					
		Injuries or ailments not requiring medical treatment.	Minor injury or First Aid Treatment Case.	Serious injury causing hospitalisation or multiple medical treatment cases.	Life threatening injury or multiple serious injuries causing hospitalisation.	Death or multiple life threatening injuries.	
People							
Reputation		Internal Review	Scrutiny required by internal committees or internal audit to prevent escalation.	Scrutiny required by external committees or External audit, or inquest, etc.	Intense public, political and media scrutiny. Eg: front page headlines, TV, etc.	Inquiry or Commission of inquiry or adverse national media.	
Business Process & Systems		Minor errors in systems or processes requiring corrective action, or minor delay without impact on overall schedule.	Policy procedural rule occasionally not met or services do not fully meet needs.	One or more key accountability requirements not met. Inconvenient but not client welfare threatening.	Strategies not consistent with Government's agenda. Trends show service is degraded.	Critical system failure, bad policy advice or ongoing non-compliance. Business severely affected.	
Financial		1% of Budget or <\$5K	2.5% of Budget or <\$50K	> 5% of Budget or <\$500K	> 10% of Budget or <\$5M	>25% of Budget or >\$5M	
		Insignificant	Minor	Moderate	Major	Catastrophic	
		1	2	3	4	5	
Likelihood	Very Likely	5	6	7	8	9	10
	Likely	4	5	6	7	8	9
	Possible	3	4	5	6	7	8
	Unlikely	2	3	4	5	6	7
	Very Unlikely	1	2	3	4	5	6

	Numerical:	Historical:
↑	>1 in 10	Is expected to occur in most circumstances
	1 in 10 - 100	Will probably occur
	1 in 100 - 1,000	Might occur at some time in the future
	1 in 1,000 - 10,000	Could occur but doubtful
↑	1 in 10,000 - 100,000	May occur but only in exceptional circumstances

Attachment C – Asset Forms



ASSET ACQUISITION ADVICE

This section must be completed whenever Plant, Equipment, Asset or a Portable and Attractive item is purchased. E.g. (Electrical goods, Camera's Chainsaws & Blowers

Depot/Location and Function (e.g. Fyshwick Hort)		Asset Number
Item, Make, Model Number and Description _____		
Purchase Price \$	Serial Number	Purchase Order Number
Supplier		Date of Purchase/...../.....
Purpose: (State if it is a replacement item)		
Note if this is a replacement item the Asset Disposal Advice section must be completed.		
Signature of Action Officer	Signature of Manager	
Date...../...../.....	Date...../...../.....	

ASSET DISPOSAL ADVICE								
This section must be completed whenever disposal action is taken for Plant, Equipment, Asset or a Portable and Attractive item.								
Depot/Location and Function (e.g. Fyshwick Hort)		Asset Number						
Item, Make, Model Number and Description _____	Reason for Disposal _____							
<table style="width: 100%; border: none;"> <tr> <th colspan="3" style="text-align: center; border: none;">Method of Disposal</th> </tr> <tr> <td style="border: none; text-align: center;">Auction <input type="checkbox"/></td> <td style="border: none; text-align: center;">Trade-in <input type="checkbox"/></td> <td style="border: none; text-align: center;">Destruction <input type="checkbox"/></td> </tr> </table>		Method of Disposal			Auction <input type="checkbox"/>	Trade-in <input type="checkbox"/>	Destruction <input type="checkbox"/>	Value of Trade-in \$
Method of Disposal								
Auction <input type="checkbox"/>	Trade-in <input type="checkbox"/>	Destruction <input type="checkbox"/>						
Signature of Action Officer	Signature of Manager							
Date...../...../.....	Date...../...../.....							

Attachment D – Small and Attractive Items Register Fields

Asset Class	Asset Type
ICT and Data	Data Collection
Plant and Equipment	Heavy Equipment
Staff Amenity	Kitchen/Cooking
ICT and Data	Office Equipment
ICT and Data	Comms
Fire Specific	Field Equipment
Plant and Equipment	Petrol Power Tools
Plant and Equipment	Electric Power Tools
Plant and Equipment	Hand Tools
Fire Specific	PPE
Fire Specific	Fire Comms
Office Equipment	Furniture
Staff Amenity	Exercise/Gym
Office Equipment	Conference/Meeting
Office Equipment	Display

Sub ID	Asset Sub Type
1	Chainsaw
2	Edge Trimmer
3	Line Trimmer
4	Hedge Trimmer
5	Generator
6	Blower
7	Lawn Mower
8	Pole Saw
9	Drill
10	Water Pump
11	Auger
12	Outboard Engine
13	Other
14	Brush Cutter
15	Spray Rig
16	Cement Mixer
17	Street Vacuum
18	Ladder
19	Jack
20	Wheel Barrow
21	Assorted Hand Tools
22	Trolley
23	Hand Spray pack
24	Oxy Kit
25	Vice
26	Compressor
27	Grinder
28	Drill
29	Saw
30	Grease Gun
31	fridge
32	BBQ
33	Coffee Machine
34	Cooker
35	Dishwasher
36	Microwave
37	Table/Chairs
38	Filing Cabinet
39	Cabinet/Locker
40	Bookshelf
41	Desk
42	Planex
43	Meeting Table
44	Whiteboard
45	Radio Equipment
46	Vacuum
47	Washing Machine
48	Welder
49	Camera
50	Printer
51	GPS
52	Scales
53	Shredder
54	Microscope/Binoculars

Attachment E – Small and Attractive Items Summary

Depot Name	Value of Assets (14 March 2012)	No of Items
Allara St Depot	94,875	163
Athllon Depot	144,933	245
Athllon Depot Carpenter	14,540	51
Belconnen Depot	89,685	181
Bendora	12,909	34
Birragai Outdoor School	19,500	448
Calwell Depot	45,330	72
Charnwood Depot	18,024	42
Fyshwick Depot	45,850	70
Glendale Depot	40,990	120
Googong / Kowen	49,836	123
Gungahlin HS	63,658	200
Kambah Depot	79,016	154
La Trobe Depot	21,356	43
Lake lab	13,640	25
Level 8 Macarthur House	128,663	234
Mitchell Depot	110,084	225
MRC Depot	70,138	181
Namadgi VS	39,330	113
Nicholls Depot	57,649	132
Stromlo Depot	142,394	243
Tidbinbilla NR	105,925	283
No Depot Allocated	94	20
Grand Total	\$1,408,420	3,402

Attachment F – Statement of Responsibility

We take responsibility for this report, which is prepared on the basis of the limitations set out below.

This report has been prepared in accordance with Australian Auditing Standard on Assurance Engagements – “Framework for Assurance Engagements” and subject to the following limitations:

Our procedures were designed to provide limited assurance as defined by the Framework for Assurance Engagements, which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available to the consultant is persuasive rather than conclusive in nature.

Further, the internal control structure of client has not been reviewed and no view is expressed as to its effectiveness.

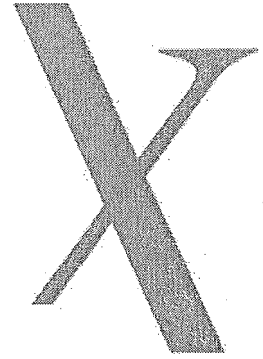
The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management’s responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.



**Territory and Municipal Services
Directorate
ACT Government**

**Two-Way Radio Management and
Accountability at PATS Depots, City
Rangers and Domestic Animal Services
February 2016**



Engagement History

Stage	Planned Timing	Actual
Engagement plan approved by TAMS	14 September 2015	14 September 2015
Entry interview	21 September 2015	21 July 2015
Fieldwork completed	23 October 2015	23 October 2015
Exit interview	25 November 2015	27 January 2016 *
Management comments received	15 October 2015	29 January 2016
Final report to management	12 November 2015	4 February 2016
Final report to Audit Committee	23 February 2016	23 February 2016

* Note that the delay was due to a change in administrative responsibility for the audit from PATS to ICT.

The engagement was performed as an audit as defined under Australian Standard on Assurance Engagements (ASAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". Our procedures were designed to provide reasonable assurance as defined by ASAE 3000, which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, the use of selective testing, the inherent limitations of internal control and because much of the evidence available to the auditor is persuasive rather than conclusive in nature.

We would like to take this opportunity to thank TAMS staff for their assistance during our audit.

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1. Executive Summary

1.1 Introduction

The ACT Government Territory and Municipal Services Directorate (TAMS) engaged Axiom to conduct an audit of the Two-Way Radio Management and Accountability at Parks and Territory Services Business Group (PATS) Depots, City Rangers and Domestic Animal Services (DAS). This audit was performed during October and November 2015.

1.2 Background

Two-way radios fall under the definition of portable and attractive ICT equipment and are used as a means of communication by staff in the delivery of their daily activities for TAMS, as well as whole of government emergency coordination during specific events. These radios are typically (but not exclusively) used where the remoteness or the geography of the workplace makes for difficulty in securing a reliable mode of communication, or where staff undertake duties alone and are required to maintain communication for work health and safety and/or operational reasons.

Two-way radios can be hand held and portable, be attached to vehicles or comprise table top units kept at depots. A majority¹ of two-way radios in use in PATS are Territory Radio Network (TRN) devices with unit by unit value ranging from \$1,000 to \$4,000 each depending on the age and model of the device.

1.3 Review Objectives, Scope and Criteria

The objectives of this audit were to assess the:

- number and type of two-way radios in use in PATS
- rationale and need for the level of use of two-way radios and if they are deployed appropriately throughout the business
- effectiveness of the protocols in place to issue, track, record, and dispose of two-way radios
- veracity of stocktake, loss and disposal in the portable and attractive items register
- effectiveness of the protocols in place to account for radios on a staff member by staff member basis, whilst they are in use
- compliance with the protocols associated with the management of two-way radios
- appropriate and effective issuance of protocols where none exist, and recommendations of a suitable or best practice methodology for any or all of the above.

A copy of the approved approach is included within this report at **Attachment C**.

The audit considers TAMS two-way radios managed at PATS Depots, City Rangers and DAS. Any other TAMS two-way radios are not in the scope for this audit. However, as most of these radios are also using the TRN, the recommendations and management suggestions outlined in this report could also be applied to their use.

The criteria assessed to review the effectiveness of two-way radio management and accountability for this audit were to address whether:

¹ TRN access is still being implemented for newly acquired two-way radios at the National Arboretum (old UHF radios are currently used).

- two-way radios in use in PATS are accurately recorded on the portable and attractive items register
- the portable and attractive items register is updated on a timely basis to reflect stocktake results, procurement, loss and disposal of radios
- protocols in place (including controls, policies and procedures) to issue, track, record, and dispose of two-way radios are effective, complied with, and address key risks; including assignment of radios to ensure individual staff accountability
- radios are used effectively for operations and deployed appropriately.

1.4 Overall Observations and Conclusion

This audit has identified weaknesses in the control framework for management and accountability over two-way radios. Based on the scope and work undertaken, this audit has identified that:

- Knowledge that TAMS two-way radios operate on a whole-of-government cross-border network is not widely understood within the Directorate.
- There is a lack of segregation of duties in accounting for two-way radios.
- Record-keeping, training and management procedures for two-way radios are inadequate and inconsistently applied.
- Deployment and loss mitigation of two-way radios can be improved to minimise security risks.
- There is a lack of security around storage of two-way radios while not in use.

Data provided on the number of two-way radios has predominantly been sourced from the Stromlo depot registry. No independent verification is provided over the accuracy of these figures.

Feedback received following completion of the audit has established that TAMS intends to centralise its management of two-way radios under ICT to clearly delineate ownership roles and responsibility for the radios and related network infrastructure between TAMS and the ACT Emergency Services Agency (ESA). It is anticipated that TAMS will retain ownership of the radios, ESA of the ACT network, and ICT Shared Services will support procurement and configuration of network infrastructure.

This audit raised 5 key findings with recommendations for TAMS (1 Extreme risk, 3 High risk and 1 Moderate risk). These recommendations have been identified with consideration of TAMS' current resourcing. **Attachment G** contains a list of management suggestions for TAMS to consider. A summary of key findings is provided at **Section 1.5** below:

1.5 Summary of Key Findings

Finding	Risk summary
2.1 Radio fleet, deployment and requirement for use	
Procurement	
High	Section 2.1 / page 10
<p><u>Finding Topic 1</u> There is a lack of segregation of duties between procurement functions and the disposal of two-way radios.</p>	<p>Without proper segregation of duties there is an increased risk of two-way radios being used for unauthorised purposes. Unauthorised use could compromise network security and interfere with business as usual and emergency operations.</p>

Finding	Risk summary
Identification and recording, including stocktake	
Extreme	Section 2.1 / page 11
<p>Finding Topic 2 Two-way radios are not accurately and completely recorded on a single, secure portable and attractive items register.</p> <p>Stocktakes are performed annually for two-way radios used by PCS, coordinated by Stromlo depot. Stocktakes are not performed routinely for DAS and City Rangers. The PCS stocktake results (recorded by Stromlo depot staff) are not used to update the TAMS portable and attractive register.</p>	<p>There is a risk that radios may be missing or unaccounted for, and unrecorded two-way radios could be misappropriated and used for unauthorised purposes. Unauthorised use could compromise network security and interfere with business as usual and emergency operations.</p>
Deployment and use of two-way radios	
Med	Section 2.1 / page 13
<p>Finding Topic 3 Policy, procedures and training in relation to the management and accountability of two-way radios are not consistent or adequate:</p> <ul style="list-style-type: none"> • It is unclear whether the <i>Parks and Territory Services – Portable and Attractive Assets Policy</i> applies to other areas of TAMS for the purpose of managing two-way radios. There is no separate policy for DAS and City Rangers. • Inconsistent local procedures are used at PATS depots to manage and account for two-way radios. This includes different procedures for managing and monitoring short and long-term deployment to contractors and volunteers, and reporting radio damage and loss. • There is little or no consultation with the TAMS Security and Emergency Management or Chief Information Officer's section on procurement, governance, network/service integration, and disposal of two-way radios to ensure procedures appropriately address security and emergency management. • Training in the use and management of two-way radios is generally only provided to staff during a brief session as part of annual fire training. Depending on when they commence employment with TAMS, new staff can be without any form of training for up to 11 months. 	<p>Without adequate procedures and training there is a risk of poor decisions being made in regard to custody and use of two-way radios.</p> <p>This could potentially result in ineffective use of, and interference with, the network during business-as-usual and emergency operations as well as a lack of control over the radios, with greater potential for loss.</p>

Finding	Risk summary
2.2 Condition, physical security and tracking of radios	
Obsolescence and loss management (including tracking)	
High	Section 2.2 / page 18
<p><u>Finding Topic 4</u> When two-way radios are not in operational use they are not securely locked away to prevent unauthorised access. Radio assignments to individual operators are also not logged in all depot locations.</p> <p>Lost radios are not tracked and are often not investigated or reported (radios that are subsequently found are also not routinely reported).</p>	<p>Failure to secure and log the assignment of two-way radios can result in an increased risk of unauthorised physical access and a lack of tracking accountability.</p>
2.3 End-of-life and use management	
Deactivation, return and replacement	
High	Section 2.3 / page 21
<p><u>Finding Topic 5</u> Two-way radios could still use the network even after they have been inhibited², posing a security risk to TAMS.</p>	<p>There is a risk that radios that are not appropriately disconnected from the network and returned to a central area for disposal could result in unauthorised use of sensitive channels.</p>

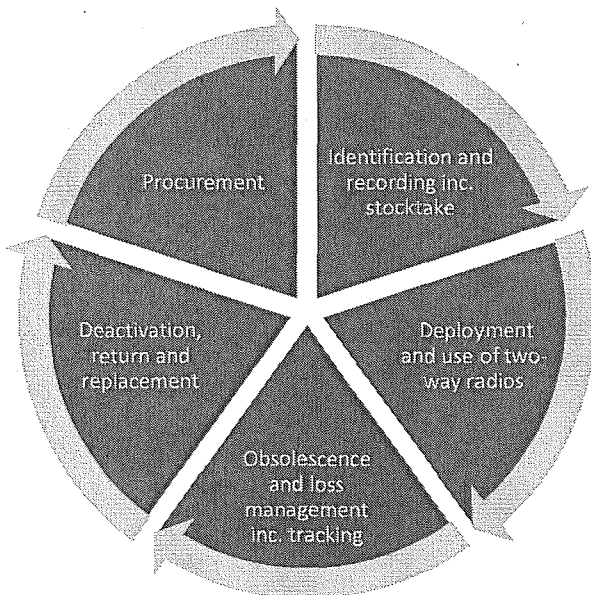
² Inhibiting is the turning off of a two-way radio, such that it is no longer operable. However relatively simple code changes can be made to prevent radios being inhibited.

2. Detailed Findings

Detailed findings of this audit are outlined below. Where applicable, all findings are assessed against ACT Government and TAMS policy requirements. Where there are two or more policies governing the same process, the policy/regulation that contains the stricter or more prescriptive requirement is considered the most authoritative. Jurisdictional analysis to identify best practice is also referenced at **Attachment F** which compares some management and accountability practices for radios or similar devices for selected Australian and overseas entities.

Our assessment of risks for the findings raised adhered to the methodology recommended in the *Australian and New Zealand Risk Management Standard (AS/NZS ISO 31000:2009)*. This standard categorises organisational risks according to their consequence and likelihood. The rating of the risk assessment is based on the ACT Insurance Authority risk matrix, which can be viewed in **Attachment B**. Consequence has been determined by considering risk factors including any potential security threat within Australia.

Five areas of the lifecycle for management of two-way radios were reviewed during this audit to assess the criteria against the objectives and these areas are summarised in the diagram below:



Radio fleet, deployment and requirement for use

1. Procurement – compliance with procurement policies, including adequate controls over configuration of new two-way radios.
2. Identification and recording (including stocktake) of two-way radios – stocktake methodology and frequency as well as record-keeping for two-way radios in the portable and attractive register.
3. Deployment and use of two-way radios – issuance of two-way radios and adequacy of radio fleet and unit capability to meet operational requirements.

Condition, physical security and tracking of radios

4. Obsolescence and loss management (including tracking) – reporting and recording damage, loss or theft of two-way radios, and recovery tracking/maintenance.

End-of-life and general management of devices

5. Deactivation, return and replacement – controls over disposal (including inhibiting and removal from network) and return of two-way radios as well as replacement to fulfil operational needs.

2.1 Radio fleet, deployment and requirement for use

Background

Director-Generals of ACT Government directorates are responsible under section 31(2)(e) of the *Financial Management Act 1996* for ensuring that adequate control is maintained over assets held by the directorate. In this context, the term “assets” is broader than defined for financial reporting and includes portable and attractive items held by a directorate.

Two-way radios (hand held and portable, units attached to vehicles and table top units kept at depots) are used as a necessary means of communication using the TRN³ by staff, volunteers and contractors associated with all PATS depots, City Rangers and Domestic Animal Services (DAS) in the delivery of operations including in relation to park/reserves/facilities management, firefighting, joint emergency operations, domestic animal control and territory events. Radio terminals can be a console within an office, a radio mounted in a vehicle, or a handheld portable radio device.

The TRN is the primary communications system for emergency management across the ACT Government. It is also used for all major PATS operations including prescribed burn activities and vertebrate pest programs as well as routine work programs. The nature of the TRN is that it allows multiple users to monitor conversations and is a vital tool for maintaining situational awareness and for worker health and safety. The TRN is part of the NSW Government Radio Network (GRN) – refer **Attachment D** for more information about the network.

The radios are typically (but not exclusively used) where the remoteness or the geography of the workplace makes for difficulty in securing a reliable mode of communication, or where staff undertake duties alone and are required to maintain communication for work health and safety or operational reasons (refer **Attachment D** for information on the benefits of using two-way radios).

The radios are used in both rural and urban areas of the ACT. They are also used across the border in areas such as Googong and Bimberi Wilderness area and during interstate firefighting operations. Two-way radios used by City Rangers and Domestic Animal Services were acquired second-hand from ACTION. A large purchase of two-way radios was made in 2004 for use by Parks and Conservation Service (PCS) depots following the 2002/03 ACT fires. Smaller purchases of radios have been made since then.

The two-way radios used are mainly Motorola XTS 5000, APX 6000 and 7000 series models. Within two years, Motorola will no longer be supporting the XTS series (most of the TAMS radio fleet are XTS models).

Two-way radios each have a value under the TAMS \$5,000 asset capitalisation threshold and are expensed in the financial year in which they are acquired. However as they are susceptible to theft or loss due to their portable nature and attractiveness for use or resale, TAMS is required to ensure it has arrangements in place to identify and control these items as part of an effective risk management and internal control strategy⁴. This must include arrangements to:

- manage operational risks to an acceptable level including ensuring that portable and attractive items are adequately monitored and protected against theft or loss; and
- balance the benefits of maintaining greater control against the administrative costs.

The *Parks and Territory Services – Portable and Attractive Assets Policy* sets out the requirements for management and accountability over portable and attractive items in PATS including two-way radios. In terms of supporting equipment for two-way radios, battery packs commonly need replacing and often move between depots/become lost or misplaced following joint programs. This can prove

³ The TRN is part of the NSW Government Radio Network (GRN) – refer **Attachment D** for more information about the network.

⁴ Under section 2.1 of the *ACT Accounting Policy – Portable and Attractive Items*.

problematic when batteries with sufficient power for radios are not available to support operational use.

The Stromlo depot centrally manages and organises procurement, stocktake, repair and disposal for the majority of two-way radios held by TAMS (those assigned to PCS activities). City Rangers and DAS have low stocks of radios and have not fully formed management arrangements for these items.

Finding Topic 1: Procurement

1.1 There is a lack of segregation of duties between procurement functions and the disposal of two-way radios⁵.

- All arrangements to procure and dispose of two-way radios used by PCS depots are made by Stromlo depot⁶. Stromlo depot maintains the only listing of PCS two-way radios and can order, receipt, pay for, as well as arrange for disposal and repair of radios. There are incomplete details entered into the Stromlo managed listing for each procured two-way radio. This includes asset number, call sign, location of radio, and model details. For example, a portable two-way radio identified as belonging to Stromlo depot is not recorded on the full register listing rather on a subsidiary listing.

1.2 Procurement timing is effective however feature kits and coordination with other network users could be improved.

- The specification for current features in relation to TAMS two-way radios (and other radios) to be used on the TRN is provided to Motorola by the ACT Radio Architect within Shared Services/Emergency Services Agency (ESA)⁷. There is no involvement with TAMS Corporate in this process.
- Unlike the Motorola APX 8000 series two-way radios, the recently procured Motorola APX 7000 series (and older Motorola APX 6000 series) do not enable wireless software (reprogramming) updates and in-building tracking information to be recorded in a database.
- Only the APX series radios (not the older XTS series radios which are predominantly used within PCS) are able to be tracked (refer 2.2 below for more information on tracking capability). With the exception of PCS, the APX series is the only TRN series used by other TAMS business areas⁸.

Implication and risk

- Two-way radios could be incorrectly reported or misappropriated without being detected.
- Feature kits may not be optimal for use on the network and to support on-ground operations and tracking.
- Without proper segregation of duties there is an increased risk of two-way radios being used for unauthorised purposes. Unauthorised use could compromise network security and interfere with business as usual and emergency operations.

⁵ Segregation of duties usually includes separating purchase order creation from approval, requisition ordering from receipt of goods, requisition ordering from payment of invoices, receipt of goods from the payment of invoices, and receipt of goods from recording disposal or return of goods.

⁶ It is noted that Stromlo depot is responsible for coordinating all fire management activities for TAMS.

⁷ ESA is the governing body for the ACT Ambulance Service, ACT Fire and Rescue, ACT Rural Fire Service and ACT State Emergency Service.

⁸ DAS and City Rangers use the Motorola APX 6000 series.

Risk Rating

Risk Rating: High	
Consequence: Major (4)	Likelihood: Possible (3)

Recommendation 1	Audit recommends that procurement and disposal functions be properly segregated and centrally coordinated.
Management Comments	David Roulston, CIO – this equipment will be managed in the same way other ICT equipment is managed using existing processes and procedures.
Responsible Officer	David Roulston, TAMS Chief Information Officer – Director AIMS
Timing for Completion	September 2016

Finding Topic 2: Identification and recording (including stocktake)

2.1 Two-way radios are not completely recorded in a register.

The *ACT Accounting Policy – Portable and Attractive Items* requires:

- the portable and attractive register for TAMS to include all portable and attractive items held by TAMS⁹
- stocktakes to be performed for all portable and attractive items at least annually¹⁰ segregation between maintaining the record of portable and attractive items and performing the stocktake¹¹.

2.1.1 Two-way radios are not accurately and completely recorded on a single, secure portable and attractive items register:

- There are currently no two-way radios recorded on the TAMS portable and attractive register. It is acknowledged that a large acquisition of two-way radios in 2004 (after the 2002 and 2003 fires in Canberra) occurred prior to the TAMS-wide implementation of the register.
- Audit observed that the management of DAS and City Rangers have recorded 18 two-way radios (portable and vehicle mounted radios).
- A separate registry for two-way radios used by PCS is maintained in an Excel spreadsheet by Stromlo depot to record acquisitions and disposals of two-way radios (as well as stocktake

⁹ Section 2.5 *ACT Accounting Policy – Portable and Attractive Items*

¹⁰ Subsection 2.6.1 *ACT Accounting Policy – Portable and Attractive Items*

¹¹ Subsection 2.6.2 *ACT Accounting Policy – Portable and Attractive Items* states that ...the person assigned to perform the stocktake must not maintain the portable and attractive register. As the registry is the only register of PCS two-way radios, Stromlo depot staff should not be performing the stocktake.

results for PCS)¹². The PCS registry identifies that there is a total of 333 two-way radios used by PCS excluding two-way radios currently recorded as lost (the total including lost is 377 radios¹³). Of the 333 located radios, there are 178 portable, 30 at ranger sites/depots and 125 mounted in vehicles. It appears there is a mixture of Motorola XTS and Motorola APX (APX 6000 and 7000) models, however the model details are not identified clearly in this listing. An outdated listing of call signs for all two-way radios used by TAMS is also held by the Security and Emergency Management section; however this listing does not identify asset numbers and lost radios and PCS radios do not reconcile to the listing held by Stromlo.

Table 1 Two-way radio fleet in PCS, DAS and City Rangers

TAMS Area	Number of two-way radios	Number of lost two-way radios
DAS and City Rangers	18	0
PCS	377	44 (33 portable, 8 vehicle and 3 base station)
Total for PCS, DAS and City Rangers	395¹⁴	44

2.1.2 Stocktakes are performed annually for two-way radios used by PCS, coordinated by Stromlo depot. Stocktakes are not performed routinely for DAS and City Rangers. The PCS stocktake results (recorded by Stromlo depot staff) are not used to update the portable and attractive register.

- Spot checks are also performed at different intervals by some depots. The Mitchell depot undertakes spot checks monthly to confirm the location of radios, while Namadgi undertakes its own independent 12 month spot check of its radio fleet.

2.2 Two-way radios and batteries require simple, visible and durable coding on the outside of each device (in addition to barcode numbers under the radio battery packs) for easy identification and appropriate deployment.

- Many depot staff interviewed, considered that highly visible coding was essential. For example, tags could be attached to the aerial or coloured durable stickers attached to the outside of each two-way radio. This would enable easy identification of radios and correct deployment.
- Audit observed that there were a number of depots where batteries are either not available or have inadequate power. This is partly due to instances of transfers to other depots following joint programs.

Implication and risk

- TAMS will not hold an accurate record of two-way radios it has purchased and may therefore not be able to confirm the radio fleet to be able to maintain proper control over two-way radios as is required under section 31(2)(e) of the *Financial Management Act 1996*. Any loss, misuse, misappropriation or theft is less likely to be detected.
- Two-way radios may not be available for use to adequately support operations.

¹² This listing does not include all details of two-way radios, including asset and ID numbers, model type and call signs.

¹³ As a comparison NSW National Parks and Wildlife Service has approximately 2000 mobile and portable two-way radios.

¹⁴ Data provided on the number of two-way radios has predominantly been sourced from the Stromlo depot registry. No independent verification is provided over the accuracy of these figures.

- There is a significant risk that unrecorded two-way radios could be misappropriated and used for unauthorised purposes.

Risk Rating

Consequence: Major (4)	Likelihood: Very Likely (5)
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Recommendation 2	Audit recommends that all two-way radio units in the TAMS radio fleet be identified by: <ul style="list-style-type: none"> a) recording all two-way radios on the portable and attractive items register. This would include the ID number, barcode and any depot tag coding. All radios should be governed by a barcode process b) undertaking annual stocktakes for all TAMS two-way radios. There should also be random spot check stocktakes throughout the year c) update the portable and attractive register to reflect disposals of radios or transfers d) ensuring stocktake activities are conducted by independent officers not involved with the procurement and registration of radios.
Management Comments	David Roulston, CIO – Other CIOs have advised that this equipment is an ICT Asset and as such the recommendation is supported.
Responsible Officer	David Roulston, TAMS Chief Information Officer – Director AIMS
Timing for Completion	September 2016

Finding Topic 3: Deployment and use of two-way radios

3.1 Policy, procedures and training in relation to the management and accountability of two-way radios are not consistent or adequate.

3.1.1 It is unclear whether the *Parks and Territory Services – Portable and Attractive Assets Policy* applies to other areas of TAMS for the purpose of managing two-way radios. There is no separate policy for DAS and City Rangers.

3.1.2 Inconsistent local procedures are used at PATS depots to manage and account for two-way radios. This includes different procedures for managing and monitoring short and long-term deployment to contractors and volunteers and reporting (or not reporting) of radio damage and loss.

- PATS depots outline procedures in either documented form (e.g. Mitchell depot's *Procedures for Tracking Portable TRN Radios within Urban Reserves* and Tidbinbilla's *Radio log out*)

procedure) or verbal form (such as Stromlo's explanation to staff of radio allocation and sign-out arrangements).

- The Security and Emergency Management section are also developing draft guidelines to address proper management of two-way radios.

3.1.3 There is little or no consultation with the TAMS Security and Emergency Management or Chief Information Officers section¹⁵ on procurement, governance, network/service integration, and disposal of two-way radios to ensure procedures appropriately address security and emergency management.

- A recent security review¹⁶ identified a threat to security over two-way radios requiring a standardised approach to issuing and accounting for radios.

3.1.4 Training in the use and management of two-way radios is generally only provided to staff during a brief session within the annual pre-season fire training (about 20 minutes). Depending on when staff commence employment with TAMS, staff can be using two-way radios without training for up to 11 months.

3.2 Two-way radios are used effectively for normal operations, however network coverage could be improved to assist with remote operations.

- The trunked radio network is important for TAMS in remote areas of the ACT from both a coverage and safety perspective. It also supports sensitive day and night joint programs, cross-border and interstate operations, including collaboration with search and rescue and emergency services. In urban and suburban areas with mobile coverage, activities undertaken by officers in PCS, DAS and City Rangers rely on the TRN for general and sensitive operations, particularly when the mobile phone network is unavailable during high use periods.
- Contractors use the two-way radios for work health and safety reasons, including when working alone on tasks such as driving bulldozers, weed-spraying and feral pest management. Some roadwork contractors are assigned two-way radios for long periods, ranging from months to years. Volunteers from partnership organisations such as volunteer firefighters and Conservation Volunteers Australia work independently or alongside TAMS staff on various fire and other management activities.
- There is either complete coverage or limited coverage areas in Tidbinbilla, Googong, Upper Cotter catchment and the Bimberi Wilderness Area. Two-way radio users have limited or a complete lack of coverage to communicate with the base station and other two-way radio users¹⁷ whilst working in these areas. The only exception is when a portable repeater¹⁸ is set up to extend the coverage range¹⁹. Some coverage issues in relation to two-way radio use in vehicles may be related to incorrectly installed two-way radio equipment, including antennas²⁰.
- Use of the portable two-way radios out in the field makes the radios more susceptible to deterioration and damage. Although portable two-way radios are quite durable for field activities, damage can more easily occur when portable units are not physically attached to

¹⁵ This section has responsibility for strategic coordination of security and emergency management for the Directorate..

¹⁶ Agilient Pty Ltd. *Enterprise Security Risk Assessment Relating to the Territory and Municipal Services (TAMS) Estate*. 2015.

¹⁷ However, where two or more two-way radios are being used in simplex mode, this allows the other radio to be located using latitude and longitude coordinates.

¹⁸ A repeater is an automatic radio-relay station device that receives and re-transmits a weak or low-level signal with increased power from a higher elevation to extend the distance of coverage range without degradation.

¹⁹ TAMS currently owns two portable repeaters which can be transported on the back of vehicles to required locations to improve coverage.

²⁰ From information obtained from the ACT Radio Architect based on ESA experience with the two-way radio coverage in emergency services vehicles.

an operator (this can lead to radio units being dropped, suffering fire damage or being run over by vehicles).

Implication and risk

- Adequate control (including personal accountability) over two-way radios may not be maintained as is required under section 31(2)(e) of the *Financial Management Act 1996*.
- There may be work health and safety ramifications for TAMS personnel, contractors and volunteers working away from vehicles²¹ and in areas without complete two-way radio coverage, for example when it is not possible to communicate an emergency situation or the location of a fire. The effectiveness of operations could also be adversely impacted, such as during firefighting operations in these areas.
- Without adequate procedures and training there is a risk of poor decisions being made in regard to custody and use of two-way radios. This could potentially result in ineffective use of, and interference with, the TRN/GRN during operations as well as a lack of control and greater potential for loss.

Risk Rating

Risk Rating: Medium	
Consequence: Moderate (3)	Likelihood: Possible (3)

Recommendation 3	<p>Audit recommends that:</p> <ol style="list-style-type: none"> two-way radios be managed in accordance with a centrally promulgated and approved policy on portable and attractive items (this could be based on the <i>Parks and Territory Services – Portable and Attractive Assets Policy</i>) a single set of radio management procedures be developed for use by all TAMS depots, including instructions and templates governing assignment to contractors/volunteers and mandatory reporting by all users of loss/damage. These procedures should be reviewed to ensure there is alignment with the governing policy on portable and attractive items the policy and procedures used to manage two-way radios are reviewed by the TAMS Security and Emergency Management section to ensure they appropriately address security and emergency management annual training be provided to all TAMS radio users, including separate training to contractors/volunteers. New employees and contractors/volunteers should be provided with training prior to being assigned a radio (as a condition of assignment).
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²¹ CB Radio is available for use in all areas within TAMS vehicles.

<p>Management Comments</p>	<p>David Roulston, CIO (Recommendations 3a, 3b) – Development of this documentation with guidance and support from the business units is fully supported.</p> <p>Chris Mooney, ASA (Recommendations 3b,3c,3d)</p> <p>3b) Agreed. The Security and Emergency Management Group will develop a policy document for governance of TAMS two-way radios. This will contain standardised procedures for operation and use.</p> <p>3c) Agreed. The Security and Emergency Management Group will conduct a review of business areas using two-way radios and identify any gaps in their procedures.</p> <p>3d) Agreed. The Security and Emergency Management Group will develop a training package on two-way radio governance and operation. Training will be provided on engagement by business areas.</p>
<p>Responsible Officer</p>	<p>Chris Mooney, Agency Security Advisor and Senior Manager, Security and Emergency Management</p> <p>David Roulston, TAMS Chief Information Officer – Director AIMS</p>
<p>Timing for Completion</p>	<p>3a) September 2016</p> <p>3b) December 2016</p> <p>3c) August 2016</p> <p>3d) December 2016</p>

2.2 Condition, physical security and tracking of two-way radios

Background

To prevent financial loss and to ensure appropriate and secure use of the radio network based on its sensitivity²², it is imperative that the safe custody of two-way radios is ensured by TAMS. Radios must be protected against theft, unauthorised access, illicit use, compromise, unauthorised modification or intentional damage.

PCS stocktake activity has identified significant loss of two-way radios, initially 50 units were found to be missing and following a further stocktake exercise by depots this number was reduced to a total of 44 lost two-way radios (all non APX series). 30 of these were known to be lost prior to 2013.

33 (75%) of the lost two-way radios are portable, 8 are attached to vehicles and 3 are two-way radios at base stations (refer Table 2). Just under half of all lost two-way radios were identified as being located at remote depots prior to going missing (refer Table 2) and were likely used for more remote operations. Approximately 40% (17) were identified as located at Stromlo depot prior to going missing, and were used for field and fire operations, some being identified as 'spare radios'.

Table 2 Lost two-way radios

Assigned location	Number of radios lost	Type
All remote depots	20	
Namadgi	5	4 portable 1 vehicle
Tidbinbilla	12	9 portable 1 vehicle 2 base station
Bendora	1	portable
Cotter	1	portable
Googong	1	portable
Other depots	20	
Stromlo	17	15 portable 2 vehicle
Athlon	1	vehicle
Gungahlin (Conservation Planning and Research)	2	1 portable 1 site
Unassigned	4	1 portable 3 vehicle
Total for PCS, DAS and City Rangers	44	33 portable 8 vehicle 3 base station/site

Timely loss reporting, follow up investigation and tracking is critical to locating lost radios. There is also a need in identifying liability²³, addressing causes of two-way radios going missing to mitigate further loss. Confirming ID numbers that need to be removed from the network to protect against the risk of unauthorised access to sensitive channels is also critical.

²² Through TAMS' use of the GRN (governed in the ACT by the ESA under the name 'TRN'), voice communications are shared with territory and interstate emergency services counterparts.

²³ For example, the AFP institutes inquiry procedures on receipt of a loss report. At the outset of the inquiry the official who had nominal custody of property at the time of the loss is advised that they could be liable to pay an amount equal to the loss and that if he or she believes that they took reasonable steps in all of the circumstances to prevent the loss, they should prepare a report detailing their actions so that their liability can be properly assessed during the course of the investigation. When the inquiry is completed, the findings are reported to the CFO with a recommended course of action, that the loss of public property should: be pursued in full as a debt to the Commonwealth, not be pursued on the grounds that they believe the money is not legally recoverable, or be pursued as a reduced amount, on the grounds that they believe that the full loss would not be legally recoverable but that a lesser amount, which is just and equitable having regard to the circumstances, could be recoverable. A security incident report is completed following the inquiry. (AFP National Guideline on loss of public money or property)

To date, TAMS has not undertaken any tracking of lost two-way radios in its radio fleet as they are unaware of any existing tracking capability.

Finding Topic 4: Obsolescence and loss management (including tracking)

4.1 Two-way radios are not all secured to prevent unauthorised access when not in use. Radio assignments to individual operators are not logged in all districts. Lost radios are not tracked and are often not investigated or reported (radios that are subsequently found are also not routinely reported).

- When staff are on-call (such as during fire season) there is often a need to take the two-way radios home.
- Reasons for the loss of two-way radios are not often identified (including not being recorded in a register). This indicates a general lack of investigation of why two-way radios go missing. Depot managers and staff were only able to identify the following known/general causes of missing radios:
 - potential misplacement of some two-way radios such as within vehicles or field kits
 - one theft of a vehicle, including the two-way radio attached to the vehicle
 - possible loss due to two-way radios not being properly removed from vehicles prior to return
 - one two-way radio being used by Conservation Volunteers Australia, unable to be located
 - theft in past years by pig hunters
 - probable loss during field operations, including during the fire season.
- Many depots²⁴ do not utilise locked storage cabinets for two-way radios when they are not in use. There is also a need for any lockable cabinet to have adequate ventilation for the battery bank.
- Stromlo and Mitchell depots have implemented locked storage for two-way radios when they are not in use and strong controls regarding logging daily assignment of radios. Stromlo depot also allows some long-term assignment of two-way radios to contractors. Other depots are unable to identify where individual radios are assigned during general operations.
- TAMS staff consider that there is no current tracking functionality for any of the two-way radios. Motorola XTS 5000 radios are unable to be tracked, however APX series radios can be tracked using the bus tracking system²⁵.
- There is no general culture to report lost radios, as often staff expect the radios will eventually reappear. Radios are considered misplaced during field operations, with no significant internal consequence if this occurs. For example an XTS 5000 radio was found in the field after more than a year and depot staff were quite pleased that the radio was still operational. As a consequence, misappropriation or theft of two-way radios is not always detected in a timely manner and associated action taken to prevent misuse. For example, when a contractor retained use of a two-way radio for a number of months past the contract period, it was thought the radio had just been returned to another depot following a joint operation.
- There is no consistent procedure for the 'pooling' of two-way radios for use outside of the 'home' depot during joint programs, including for firefighting, community events and kangaroo management. However Stromlo depot have instituted an effective and efficient sign out/in

²⁴ Examples include Namadgi, Googong, Tidbinbilla and Murrumbidgee depots.

²⁵ This was the tracking system used by ACTION and is currently installed at the Winchester police station in Belconnen. Use of the bus tracking system will enable GPS location to approx. 20 metres provided that the two-way radio has a clear view of the sky and is not inside a building or under dense tree cover or in temperature extremes outside the operating limits of the radio.

process for their two-way radios being used during joint events. Each individual operator assigned a radio is recorded by one manager in charge of the event on a specific log against each radio number²⁶.

4.2 The number of two-way radios available to support operations during busy periods when radios are in for repair is not always sufficient.

- Some depot staff interviewed identified that during peak use, two-way radios are often in for repair impacting on the ability to conduct operational activities. Depots did not receive information from the Stromlo depot on how long they would be without radio(s) to assist with operational planning such as replacement contingencies.

Implication and risk

- Adequate control (including personal accountability) over two-way radios may not be maintained as is required under section 31(2)(e) of the *Financial Management Act 1996*.
- Costly replacement of misplaced two-way radios (up to \$5,000 per unit).
- There may be insufficient radios to meet operational requirements.
- Failure to secure and log the assignment of two-way radios can result in an increased risk of unauthorised physical access and a lack of tracking accountability. There is also a security exposure due to instances of theft and/or loss of two-way radios. Unauthorised use of the network could compromise community safety or TAMS operations.

Risk Rating

Risk Rating: High	
Consequence: Major (4)	Likelihood: Likely (4)

Recommendation 4	<p>Audit recommends that TAMS:</p> <ul style="list-style-type: none"> a) ensure two-way radios that are not in use are secured in a ventilated locked cabinet at depots – TAMS may wish to consider a card scanning (locked) access system²⁷ b) assign two-way radios only to specifically authorised users and restrict some radios for contractor/volunteer use only - these radios should be configured with restricted network access to reduce network security exposure²⁸
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²⁶ It took about 5 minutes to individually assign approx. 12 two-way radios for the 2015 Tidbinbilla Extravaganza and this process could be used for most emergency and non-emergency operations.

²⁷ A secure storage option with scan access, such as an Electronic Key Security Cabinet would allow fast access and sign out of two-way radios to staff when required and an audit trail of removal of two-way radios from the cabinet. TAMS Security and Emergency Management have assisted with implementation of similar systems across sites.

²⁸ Security risk pertains to the ability to access sensitive channels on the network.

	<p>c) assign all other radios at depots to individual staff on a primary basis unless specifically assigned in exceptional or pooling²⁹ circumstances</p> <p>d) develop a standard 'pooling procedure' to manage two-way radios during a joint event:</p> <ul style="list-style-type: none"> • assign two-way radios to an authorised 'event manager'. The manager of the event would sign out/in specific radios to individual authorised operators using an 'event log' • during firefighting operations the event manager could assign portable two-way radios to specific vehicles³⁰. • following the completion of the event all radios must be signed as sighted by the event manager and returned to the relevant depots/primary users <p>e) replace XTS series two-way radios with trackable APX series radios. In the short term, assign APX series radios to contractors and users working in remote areas</p> <p>f) use the 'ACTION bus tracking' system for GPS tracking of APX series two-way radios by ID number when reported lost or to support general monitoring of use³¹</p> <p>g) require all lost radios to be immediately reported to the TAMS Security and Emergency Management section using the approved 'Security Incident Report Form' as per current policy. Asset replacement should only occur based on operational requirements and advice from asset management</p> <p>h) maintain a central listing of two-way radio ID numbers and network talkgroups³²/restrictions for each radio in the register to monitor and periodically review radio configuration, assignments and general use.</p>
<p>Management Comments</p>	<p>David Roulston, CIO (Recommendations 4a,4b,4c,4d,4e,4g) – all CIO actions are supported and can be completed with assistance of all stakeholders.</p> <p>Chris Mooney, ASA (Recommendations 4f,4h)</p> <p>4f) Agreed-in-principle. Due to machinery of government changes, ACTION is due to be integrated into the new Transport Canberra agency in 2016. MotoLocator software should be installed on a workstation at the Ron Reynolds Centre (subject to funding) to allow this recommendation to be agreed in full.</p> <p>4h) Agreed. A master list is kept of all APX-series radios by the Security and Emergency Management Group with the intention to include XTS-series radios. These lists, radio configurations, and assignments will undergo an annual review.</p>

²⁹ The term 'pooling' refers to combining the radio fleet located at different depots for the purposes of distributing to staff, contractors and volunteers involved in joint programs, such as for fire management and kangaroo management.

³⁰ The records of the Incident Management Team could be used to account for shift changes in relation to vehicles in order to track custody of the two-way radios assigned to the vehicles.

³¹ As an interim tracking solution for APX series two-way radios, TAMS could enter into an agreement with ACT police to use the tracking system at the Winchester Centre until the tracking system can be installed in a location such as the new Local Disaster Coordination Centre.

³² The 'talkgroup' feature is only available in trucked radio systems such as the TRN/GRN where the system automatically selects the physical radio frequency channel and relays by 'group'. Unlike communicating via preprogrammed channels, radio users can listen and talk simultaneously. This is because the communication operates on two frequencies, one to transmit and one to receive. This means that users in a group can have a real-time discussion. The 'talkgroup' feature requires an encryption key so that only people selected for that particular 'group' can receive and transmit messages in relation to the talkgroup.

Responsible Officer	Chris Mooney, Agency Security Advisor and Senior Manager, Security and Emergency Management David Roulston CIO and Director AIMS
Timing for Completion	4a) September 2016 4b) September 2016 4c) September 2016 4d) September 2016 4e) September 2016 4f) December 2016 4g) September 2016 4h) December 2016

2.3 End-of-life and general management of devices

Background

End-of-life of two-way radios may pose a security risk. It is of the utmost importance to ensure there is no ongoing unauthorised use of the TRN/GRN network (refer **Attachment E** for further information on the network). The current policy implemented by TAMS is to inhibit³³ any two-way radios that are missing after each stocktake.

Finding Topic 5: Deactivation, return and replacement

5.1 Two-way radios can sometimes still use the network even after they have been inhibited³⁴, posing a security risk.

- Two-way radios are able to be re-coded to prevent inhibition and will still allow use of the network if not properly disconnected from the network.
- To ensure there is no unauthorised access to the network the radios must be reconfigured such that the network cannot be accessed. For further information on how the network is accessed refer to **Attachment E**.

5.2 Two-way radios that have been located during stocktake have been incorrectly inhibited.

- Two-way radios being used for remote operations (Namadgi depot) were mistakenly inhibited following the 2015 stocktake. This deactivation impacted on field operations for a short period until the two-way radios could be uninhibited.

³³ Turn off of a two-way radio, such that it is no longer operable.

³⁴ Inhibiting is the turning off of a two-way radio, such that it is no longer operable. However relatively simple code changes can be made to prevent radios being inhibited.

Implication and risk

There is a risk that radios that are not appropriately disconnected from the network and returned to a central area for disposal could result in unauthorised use of sensitive channels.

Risk Rating

Risk Rating: High	
Consequence: Major (4)	Likelihood: Possible (3)

Recommendation 5	<p>Audit recommends TAMS:</p> <ol style="list-style-type: none"> a) ensure the task of disabling two-way radios is undertaken centrally by appropriately trained personnel who are not also involved in field operations b) perform a reconciliation at least once a year that compares registered ID numbers on the network with the TAMS portable and attractive items register to ensure there are no duplicate or other ID numbers being used to gain unauthorised access to the network c) when a two-way radio is reported lost, immediately: <ul style="list-style-type: none"> • investigate the loss to establish cause and control improvements if applicable • inhibit the device if it is a Motorola XTS 5000 series and remove the ID number from the network or reassign to a replacement APX series device • track the device if it is a Motorola APX series radio and only inhibit and remove or reassign the ID number if unable to be located. • ensure the portable and attractive register is updated accordingly and any disabling of radios and replacement of equipment is reported centrally and is managed in a timely manner.
Management Comments	<p>5a) Agreed. This is already an informal process when a Security Incident Report Form is received by the Security and Emergency Management Group. This responsibility will be formalised in the new two-way radio policy document.</p> <p>5b) Agreed. The Security and Emergency Management Group will coordinate with Divisional Business Managers to undertake an annual reconciliation.</p> <p>5c) Agreed. This is already an informal process when a Security Incident Report Form is received by the Security and Emergency Management Group. This responsibility will be formalised in the new two-way radio policy document.</p>
Responsible Officer	Chris Mooney, Agency Security Advisor and Senior Manager, Security and Emergency Management
Timing for Completion	December 2016

Attachment A – Recommendation Summary

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimated Completion Date
Radio fleet, deployment and requirement for use					
1	<p>Procurement</p> <p>Audit recommends that procurement and disposal functions be properly segregated and centrally coordinated.</p>	<p>High - Consequence: 4 Likelihood: 3</p> <p>Without proper segregation of duties there is an increased risk of two-way radios being used for unauthorised purposes.</p> <p>Unauthorised use could compromise network security and interfere with business as usual and emergency operations.</p>		David Roulston, TAMS Chief Information Officer – Director AIMS	Sept 2016
2	<p>Identification and recording, including stocktake</p> <p>Audit recommends that all two-way radio units in the TAMS radio fleet be identified by:</p> <ul style="list-style-type: none"> a) recording all two-way radios on the portable and attractive items register. This would include the ID number, barcode and any depot tag coding. All radios should be governed by a barcode process b) undertaking annual stocktakes for all TAMS two-way radios. There should also be random spot check stocktakes throughout the year 	<p>Extreme - Consequence: 5 Likelihood: 5</p> <p>There is a risk that recording the location, date of purchase and date of expiry for each radio could be compromised and that the consequences could be significant.</p>		David Roulston, TAMS Chief Information Officer – Director AIMS	Sept 2016

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimated Completion Date
	<ul style="list-style-type: none"> c) update the portable and attractive register to reflect disposals of radios or transfers d) ensuring stocktake activities are conducted by independent officers not involved with the procurement and registration of radios. 				
3	<p>Deployment and use of two-way radios</p> <p>Audit recommends that:</p> <ul style="list-style-type: none"> a) two-way radios be managed in accordance with a centrally promulgated and approved policy on portable and attractive items (this could be based on the <i>Parks and Territory Services – Portable and Attractive Assets Policy</i>) b) a single set of radio management procedures be developed for use by all TAMS depots, including instructions and templates governing assignment to contractors/volunteers and mandatory reporting by all users of loss/damage. These procedures should be reviewed to ensure there is alignment with the governing policy on portable and attractive items c) the policy and procedures used to manage two-way radios are reviewed by the TAMS Security and Emergency Management section to ensure they appropriately address security and emergency management d) annual training be provided to all TAMS radio users, including separate training to contractors/volunteers. New employees and contractors/volunteers should be provided with training prior to being assigned a radio (as a condition of assignment). 	<p>Medium - Consequence: 3 Likelihood: 3</p> <p>Without adequate procedures and training there is a risk of poor decisions being made in regard to custody and use of two-way radios. This could potentially result in ineffective use of, and interference with, the TRN/GRN during operations as well as a lack of control and greater potential for loss</p>		<p>Chris Mooney, Agency Security Advisor and Senior Manager, Security and Emergency Management</p> <p>David Roulston, TAMS Chief Information Officer – Director AIMS</p>	<p>3a) Sept 2016</p> <p>3b) Dec 2016</p> <p>3c) Aug 2016</p> <p>3d) Dec 2016</p>
Condition, physical security and tracking of radios					
4	<p>Obsolescence and loss management (including tracking)</p> <p>Audit recommends that TAMS:</p>	<p>High - Consequence: 4 Likelihood: 4</p>		Chris Mooney,	<p>4a) Sept 2016</p> <p>4b) Sep 2016</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimated Completion Date
	<p>a) ensure two-way radios that are not in use are secured in a ventilated locked cabinet at depots – TAMS may wish to consider a card scanning (locked) access system</p> <p>b) assign two-way radios only to specifically authorised users and restrict some radios for contractor/volunteer use only - these radios should be configured with restricted network access to reduce network security exposure</p> <p>c) assign all other radios at depots to individual staff on a primary basis unless specifically assigned in exceptional or pooling circumstances</p> <p>d) develop a standard 'pooling procedure' to manage two-way radios during a joint event:</p> <ul style="list-style-type: none"> • assign two-way radios to an authorised 'event manager'. The manager of the event would sign out/in specific radios to individual authorised operators using an 'event log' • during firefighting operations the event manager could assign portable two-way radios to specific vehicles. • following the completion of the event all radios must be signed as sighted by the event manager and returned to the relevant depots/primary users <p>e) replace XTS series two-way radios with trackable APX series radios. In the short term, assign APX series radios to contractors and users working in remote areas</p> <p>f) use the 'ACTION bus tracking' system for GPS tracking of APX series two-way radios by ID number when reported lost or to support general monitoring of use</p> <p>g) require all lost radios to be immediately reported to TAMS Security and Emergency Management section using the approved 'Security Incident Report Form' as per current policy. Asset replacement should only occur based on operational requirements and advice from asset management</p>	<p>Failure to secure and log the assignment of two-way radios can result in an increased risk of unauthorised physical access and a lack of tracking accountability.</p>		<p>Agency Security Advisor and Senior Manager, Security and Emergency Management</p> <p>David Roulston, TAMS Chief Information Officer – Director AIMS</p>	<p>4c) Sept 2016</p> <p>4d) Sept 2016</p> <p>4e) Sept 2016</p> <p>4f) Dec 2016</p> <p>4g) Sept 2016</p> <p>4h) Dec 2016</p>

Ref	Recommendation	Assessed Risk	Management Comments	Responsible Officer	Estimated Completion Date
	h) maintain a central listing of two-way radio ID numbers and network talkgroups/restrictions for each radio in the register to monitor and periodically review radio configuration, assignments and general use.				
End-of-life and general management of devices					
5	<p>Deactivation, return and replacement</p> <p>Audit recommends TAMS:</p> <p>d) ensure the task of disabling two-way radios is undertaken centrally by appropriately trained personnel who are not also involved in field operations</p> <p>e) perform a reconciliation at least once a year that compares registered ID numbers on the network with the TAMS portable and attractive items register to ensure there are no duplicate or other ID numbers being used to gain unauthorised access to the network</p> <p>f) when a two-way radio is reported lost, immediately:</p> <ul style="list-style-type: none"> • investigate the loss to establish cause and control improvements if applicable • inhibit the device if it is a Motorola XTS 5000 series and remove the ID number from the network or reassign to a replacement APX series device • track the device if it is a Motorola APX series radio and only inhibit and remove or reassign the ID number if unable to be located, • ensure the portable and attractive register is updated accordingly and any disabling of radios and replacement of equipment is reported centrally and is managed in a timely manner. 	<p>High - Consequence: 4 Likelihood: 3</p> <p>There is a risk that radios that are not appropriately disconnected from the network and returned to a central area for disposal could result in unauthorised use of sensitive channels.</p>		Chris Mooney, Agency Security Advisor and Senior Manager, Security and Emergency Management	Dec 2016

Attachment B – Risk Rating

- >6: **High and >8 Extreme risk**
 - detailed action plan required
- : **Medium risk**
 - needs senior management attention
 - specify management responsibility
- <5: **Low risk**
 - manage by routine procedures

High or Extreme risks must be reported to Senior Management and require detailed treatment plans to reduce the risk to Low or Medium.

		Consequence				
		Injuries or ailments not requiring medical treatment.	Minor injury or First Aid Treatment Case.	Serious injury causing hospitalisation or multiple medical treatment cases.	Life threatening injury or multiple serious injuries causing hospitalisation.	Death or multiple life threatening injuries.
		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
People						
Reputation						
Business Process & Systems						
Financial						
	Likelihood	Very Likely	Likely	Possible	Unlikely	Very Unlikely
	5	6	7	8	9	10
	4	5	6	7	8	9
	3	4	5	6	7	8
	2	3	4	5	6	7
	1	2	3	4	5	6

	Numerical:	Historical:
Likelihood ↑	>1 in 10	Is expected to occur in most circumstances
	1 in 10 - 100	Will probably occur
	1 in 100 - 1,000	Might occur at some time in the future
	1 in 1,000 - 10,000	Could occur but doubtful
	1 in 10,000 - 100,000	May occur but only in exceptional circumstances

Attachment C – Approach

The audit considered the following:

- Identified and obtained existing process documentation relevant to the audit.
- Understood and documented via stakeholder discussions the two-way radio process, including the need for the use of the radios across the business to maintain communication for WHS or operational reasons.
- Developed an audit plan to test compliance with relevant asset policies, procedures, legislation, Director Generals Financial Instructions (DGFI's) and any other relevant rules and regulations in particular by applying this guidance to:
- Reviewed the issuance, tracking, recording, and disposal of two-way radios. This included the stocktaking process to account for assets in the portable and attractive items register.
- Methods of assigning responsibility for the management of individual two-way radios to PATS staff.
- Conducted interviews with depot managers and supervisors charged with any aspect of two-way radio management.
- Conducted interviews with staff members routinely using two-way radios, particularly with regard to their understanding of their responsibilities around accounting for the use of two-way radios.
- Assessed the two-way radio management practices in place by the NSW National Parks and Wildlife Service - by way of comparison, or other jurisdictions as appropriate.
- Discussed issues and remediation options with the nominated stakeholders at regular intervals during fieldwork, and at a formal exit interview.
- Issued a draft report to the nominated stakeholders with our documented findings and recommendations, and request a formal response to the findings and recommendations.
- Included the formal stakeholder response to each recommendation in the draft report, and then issue the final signed report, which will include our overall audit opinion.
- Discussed the output of this review with the Chief Audit Executive and key management stakeholders prior to any finalisation.

Attachment D – Benefits of two-way radio use

There are many benefits of using two-way radios instead of other mechanisms of communication, these include:

- **Enhanced productivity**
Push-to-talk applications enable immediate communication with staff in the field, allowing supervisors to react to changing priorities, weather alerts, and other unexpected criteria. Systems are designed for on-site, wide area, and multi-site applications.
- **Minimise delays**
Coordinators/managers can immediately contact staff to notify them of change orders or potential situations to be aware of. This helps avoid critical delays (such as during firefighting operations), promotes safety and saves time, also helping to contain costs.
- **Reduce operational costs**
Two-way radios eliminate the cost of recurring monthly fees and per-call charges of cellular push-to-talk technology.
- **Communicate with clear audio in loud environments**
Radios can overcome high decibel environments with noise suppression technology that limits background noise.
- **Improve worker safety - Emergency features for enhanced worker safety**
Emergency calling and intrinsically safe design features provide reliable two-way radio communications in locations where fire, flammable gas and combustible dust are present. If a worker needs assistance, the emergency alert feature provides rapid notification and enables immediate response. And transmit interrupt capability enables multiple talkgroup conversations to be interrupted for the delivery of urgent messages in an emergency.
- **Durable equipment that lasts 10-15 years and can withstand weather extremes** (useful life 5-7years) - Radios meet demanding specifications for wear and tear in the field, submersion in water.
- **Track location** - When used with a location tracking application, integrated GPS allows site supervisors to track the location of workers, locate supplies, and plan deliveries on or between job sites quickly.
- **Equipment security** - Remote disable technology minimises the impact of theft, and GPS features help track the locations of vehicles and heavy equipment, such as backhoes, excavators, forklifts, and other assets.

Attachment E – GRN Coverage, Users and Features

The NSW Government Radio Network (GRN) is geographically one of the largest trunked land mobile radio networks in the world. It covers approximately 266,000 square kilometres including NSW and the ACT (the coverage of the network is illustrated in Diagram 1 below). The GRN provides narrowband data services, which are only available to preapproved government agencies. It currently services approximately 28,000 users in 27 government agencies and related entities (as listed below).

- ACT ACTION Buses
- ACT Government
- Ambulance Service of NSW
- Attorney General's Department
- Ausgrid
- Australian Broadcasting Corporation
- Department of Corrective Services
- Department of Defence
- Department of Juvenile Justice
- Department of Premier & Cabinet
- Central Tablelands Council
- Chevra Hatzolah
- Endeavour Energy
- Fire & Rescue NSW
- Harbour City Ferries
- Hunter Water Corporation
- ICAC
- National Parks and Wildlife Service
- NSW Police
- NSW Rural Fire Service
- NSW State Emergency Service
- Roads and Maritime Services
- Railcorp
- Sutherland Shire Council
- Sydney Catchment Authority
- Sydney Ports Authority
- Sydney Water
- Transport for NSW

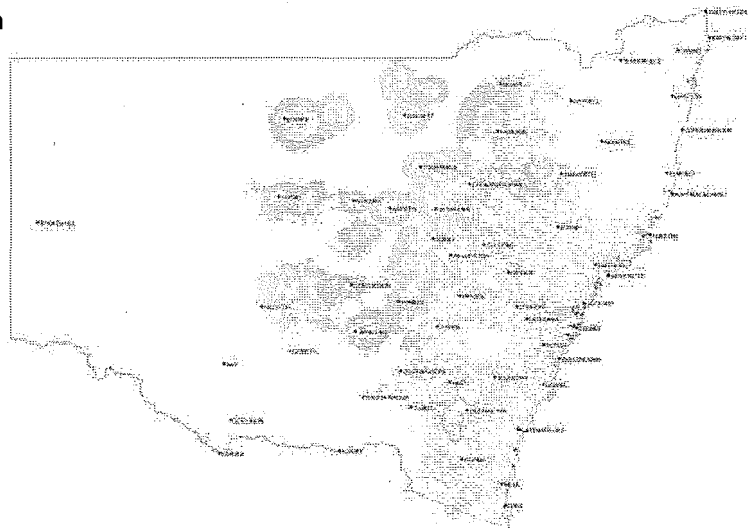


Diagram 1: GRN Coverage

Source: NSW Government Telco Authority.
<https://www.telco.nsw.gov.au/content/government-radio-network-grn>.

The GRN is owned by the NSW Government and managed on its behalf by BAI as Network Manager with oversight and assurance provided by the NSW Telco Authority. The Network Operations Control Centre (NOCC) is the hub of the Network, where the Network Manager controls and continuously monitors the functions of the network, activating individual services, monitoring performance, locating faults and restoring services.

Service levels for each agency are customised as determined in the "Service Agreement" completed during each radio network access request.

The GRN currently supports P25 Trunking capable vehicle mounted & handheld portable radios and only two P25 Trunking capable consoles as follows:

<p><i>Supported radios</i></p> <p>Benelec – BLP450/600/6000 Series Motorola – APX and XTS Series Simoco – SRP/SRM 91/90xx Series</p>	<p>Harris – XG series Tait – TP/TM 91/94xx Series</p>	<p><i>Supported consoles:</i></p> <p>Motorola – MCC7500 IP Dispatch System Zetron – AcomEvo Console System</p>
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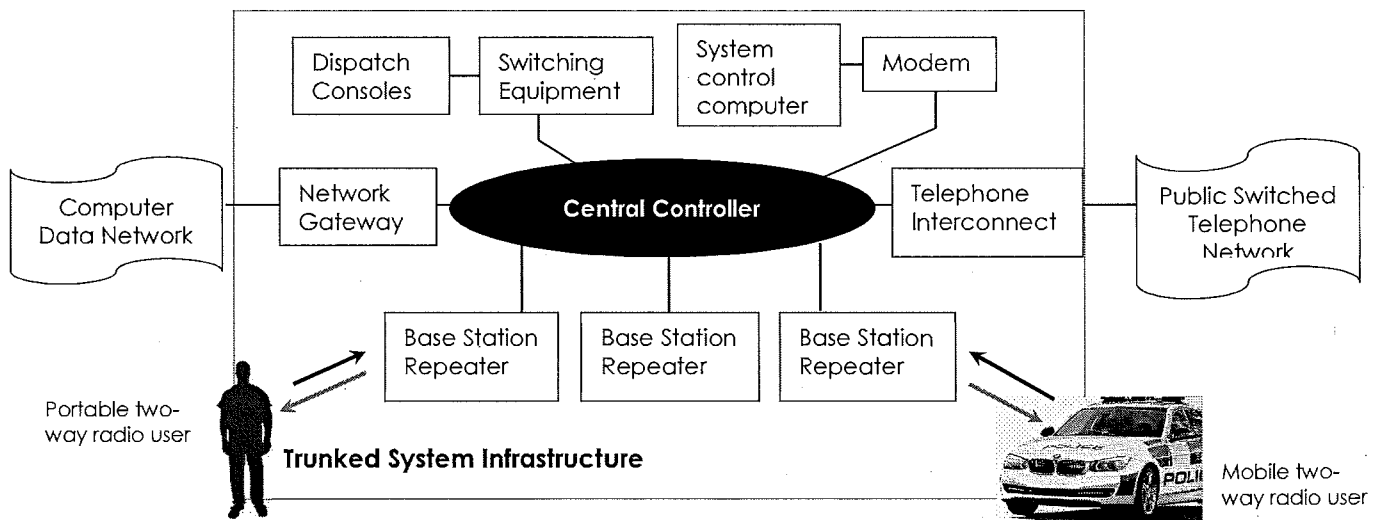


Diagram 2: Typical Configuration of a Centralised Trunked System

Source information: Booz Allen & Hamilton (Public Safety Wireless Network).
Comparisons of Conventional and Trunked Radio Systems. 1999.

P25 Trunked operation – the GRN uses trunking to spread the load more efficiently. The basic idea of trunking is to use a computer (a ‘trunking controller’) to control use of the communications channels. The trunking controller directs initiated calls in the queue to the next free channel (and alerts a queued caller when a channel is freed up) via its own reserved communications channel (called the ‘control channel’) which is in contact with both queued radio callers and with all the other communications channels. Using this system, radio users can be authenticated to see if they are allowed to access the network. Group calls are more efficient because the only sites that participate are those where the radios are active (i.e. have ‘registered’). Priority calls are possible because the controller can promote prospective callers to the head of the queue. A radio user can also roam from one network zone to another while still communicating with the home dispatcher or group.

Every subscriber unit on a P25 system has an ID number. The ID numbers are programmed into the subscriber units using a national identification scheme. Radios must have the right access code number programmed into them and be known to the network to be able to access the network.

P25 systems also use talkgroups. A talkgroup is a method within the network that allows a radio to access a discrete “channel”. The agency can have talkgroups setup and then have the codeplugs of the radios coded to match. For example, one agency might set up talkgroups based on regions, another might choose to set up talkgroups based on organisational units (e.g. Namadgi operations, fire emergency operations, Search and Rescue, contractor operations etc.).

Users do not manually select individual radio channels in a trunked system, they select talk groups, by performing the physical action of setting a knob to a different number. Each user radio is affiliated with at least one group and/or subgroup and has an individual ID number. A talk group can be a subset of an announcement group as illustrated in Diagram 3 below. When a member of a talk group initiates a conversation, the trunked system controller automatically allocates one of the free radio channels to that talk group. Each radio in the talk group is automatically tuned to the allocated channel for the duration of the transmission without the user’s involvement.

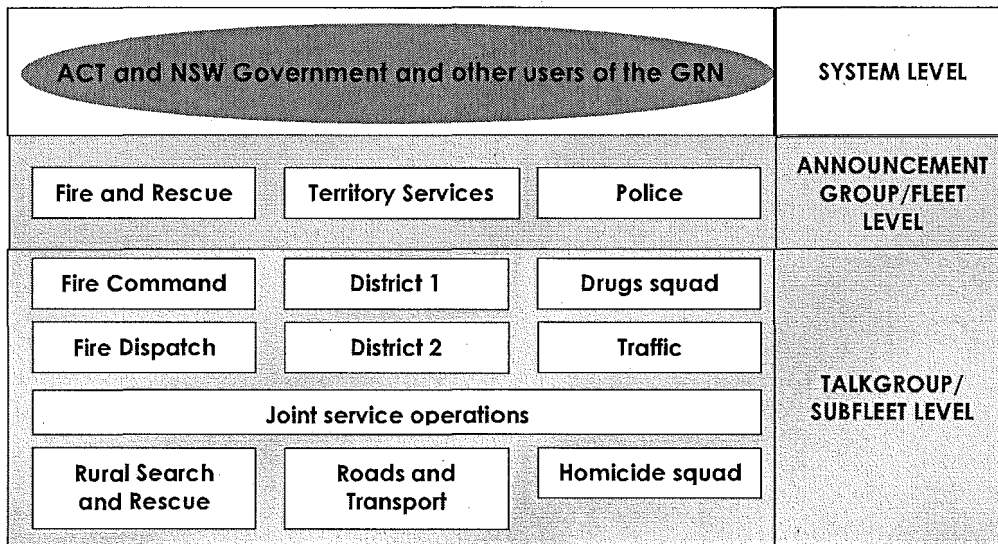


Diagram 3: Example of User Talk Groups in a Trunked System

Attachment F – Comparison of practices across Australia and overseas

The table below outlines the practices of other jurisdictions, agencies and other organisations to manage and account for portable and attractive items for operational communications similar to or the same as two-way radios.

Agency/Other	Assignment and use of portable and attractive item (except for pooled items)	Protocols for use of pooled devices ³⁵ and general protocols for radios	Procurement	Loss, theft, compromise or inappropriate use	Disposal and related
Australian Federal Police (AFP) ^{36,37}	Sign in and sign out to individuals through a software platform (Insight!). Unassigned items remain in the custody of the portable and attractive custodian.	Pooled devices must be managed by nominated custodian (recorded in the Insight! software) who must maintain a handover tracking process. Individual users must follow the handover tracking process and be responsible for the security and appropriate use of the device while in their custody	Must be verified to be for official purposes and consider security, integrity and privacy issues prior to approval.	Must be reported to AFP Security	Disposal must be recorded through the software platform, Insight!
Government of British Columbia Natural Resource Operations ³⁸	All radios are programmed and assigned by a central Natural Resource Operations outlet.		Procurement is undertaken by the Natural Resource Operations outlet.	Property Loss Forms must be filled out and provided to the appropriate district, regional or call centre manager.	Radios must be returned to the Natural Resource Operations outlet for maintenance and disposal.

³⁵ Devices which are available for shared use within a team or function of an entity.

³⁶ Addresses satellite phones, Sectera phones and telecommunications devices.

³⁷ Information sourced from internal AFP policies.

³⁸ Government of British Columbia, Canada. *Radio Communication Field Handbook: Radio Engineering Operations*. 2011.

Agency/Other	Assignment and use of portable and attractive item (except for pooled items)	Protocols for use of pooled devices ³⁵ and general protocols for radios	Procurement	Loss, theft, compromise or inappropriate use	Disposal and related
U.S. Fish and Wildlife Service ³⁹	<p>The Central Radio Program Manager (RPM) maintains a national database of service radio equipment (separate radio inventory equipment listings are maintained by Site Radio Coordinators and must be kept updated). Each region selects a Regional Radio Coordinator annually to liaise between the sites and the RPM and to ensure compliance with policies and coordinates transfer of radio equipment between field stations.</p> <p>The Site Radio Coordinator coordinates training for users and seasonal employees, ensures testing of equipment is performed at least annually and reviews coverage issues, informs the Site Manager or Regional Manager if there are any issues.</p>	Users must not use radios outside the licensed area. All law enforcement and/or sensitive radio communications must be encrypted.	<p>The RPM is the final technical authority for radio acquisition (including development of technical specifications for radio procurement and maintenance by field offices).</p> <p>The Service Radio Team obtains all quotes and approves purchases (paid by sites, who receipt the radios) and programmes radios. Procurement must be in line with the Ordering Guide and any standard contract requirement.</p>		The RPM is responsible for resolving radio frequency interference issues.
NSW Rural Fire Service ⁴⁰ (RFS) / National Parks and Wildlife Service (NPWS) / NSW Police	<p>Movement of all portable radios must be tracked and monitored via the use of and appropriate register.</p> <p>All portable radios are to be stored in a secure location when not in use. Portable radios are not to be left inside unattended vehicles. If there is no alternative, and as a last resort, the portable radio should be secured as best as possible and out of sight from the vehicle exterior.</p> <p>Shift Supervisors/operations managers are to account for all portable radios at the</p>	<p>NPWS uses some radios with frequencies assigned to other fire authorities for coordinated fire management. Police will sometimes use RFS radios for coordinated operations.</p> <p>The host region is to arrange for recharging facilities and the supply of spare radio batteries during extended operations.</p>	All communications equipment must be purchased and approved by an authorised area that also configures the devices prior to installation. RFS installations of radios in vehicles that not undertaken by the NSW RFS contract vehicle commissioning provider are subject to the NSW RFS Vehicle Risk Assessment process.	Commanders are fully responsible for the safe storage, proper use and general management of radio terminals allocated to their unit/command (whether permanent allocation or temporary loan). They may be required to pay for the replacement or repair of damaged radios where there is an identified failure to take	Vehicles used outside of NSW Police custody must have the radio disabled prior to use.

³⁹ U.S. Fish and Wildlife Service Radio Handbook and various Service Contract Mandatory Use Memos, 2014.

⁴⁰ Source information from current NSW Rural Fire Service and NSW NPWS Standard Operating Procedures and Manuals, and NSW Police Force Handbook 2015.

Agency/Other	Assignment and use of portable and attractive item (except for pooled items)	Protocols for use of pooled devices ³⁵ and general protocols for radios	Procurement	Loss, theft, compromise or inappropriate use	Disposal and related
Safe Work Australia - Guidance to forestry organisations ⁴²	<p>commencement and conclusion of each shift/operation.</p> <p>Only authorised suppliers can programme radio equipment, in accordance with approved profiles.</p> <p>Only centrally approved radio devices may be used on the network⁴¹.</p>			<p>reasonable care and responsibility.</p> <p>Operators are not permitted to interfere with the radios. Any modifications are managed by the central custodian.</p> <p>Loss / misplacement of a radio must be immediately reported to the supervisor and investigated (search of all locations of last operator checked to locate radio and other sites checked in case of transfer). Without prompt location radio is immediately disabled.</p>	
	<p>Operators working alone must have been trained and have access to a two-way radio or other device with coverage.</p> <p>Personnel must not enter a new area without making radio contact with area supervisor first.</p> <p>Regular contact must be maintained with the manager (using agreed 'check in' procedure).</p>				

⁴¹ Unapproved devices may interfere with the radio communications network or other licensed radio operators.

⁴² Safe Work Australia. *General Guide for Managing Risks in Forestry Operations and Forestry: Guide to managing risks of general hazards in forestry operations*. 2014.

Attachment G – Management Suggestions

Management suggestions represent a 'Business Process Improvement' opportunity. The suggestions may result in efficiency improvements or closer alignment with better practice, or may be examples of how the recommendations could be applied.

Procurement
<ul style="list-style-type: none">• Purchase orders should not be raised and approved by the same area/depot or persons in charge of the register of two-way radios. For example, purchase orders could be raised by the depot manager while approval would occur by the portable and attractive items custodian⁴³.• Two-way radios should be ordered and received by different areas of TAMS and the area that is responsible for organising requisition should not be able to pay for invoices. For example, the portable and attractive items custodian could order the two-way radios and these could be receipted by the Security and Emergency Management section to ensure proper configuration prior to use (the central asset manager could organise payment).• The area responsible for receiving new procurements of two-way radios should not also record disposal or return of goods. For example, the asset manager could receive two-way radios for disposal and oversee that access is removed appropriately by the Security and Emergency Management section.• It is suggested that TAMS obtain expert technical advice on appropriate feature kits for radios and related equipment, including to ensure inter-operability with the network, prior to procurement (such as from the ACT Radio Architect).• Consider coordinating with other government agencies that use the TRN/GRN to develop a strategic procurement and management plan⁴⁴ including to obtain procurement cost savings (using economies of scale advantages) and to enhance network security management.• Consider the purchase of Motorola APX 8000 two-way radios to enable wireless software (reprogramming) updates and tracking capability (with building movements sent to a central database).• Consider the suitability of entering into a Fleetcare arrangement with Motorola to obtain three year testing of two-way radio units, repair/replacement and free batteries (for those under 80%), including 24 hour batteries which could be useful for longer shifts and remote work (including to support tracking).
Identification and recording, including stocktake
<ul style="list-style-type: none">• Consider undertaking both pre and post season stocktakes for two-way radios to reduce the risk of radios being lost and not detected in a timely manner.• Officers undertaking stocktakes validating the register to the radio fleet and vice versa should not be from the same depot.• Provide a barcode scanner for each depot close to the timing of each stocktake and upload results centrally to check two-way radios against the portable and attractive register.• Attach simple coded durable identification tags or stickers to the casing of each radio⁴⁵ to allow efficient identification by the depot and user; record these codes for each radio in the register and ensure they are still attached at each stocktake.

⁴³ The portable and attractive items 'custodian' is defined in the *Parks and Territory Services – Portable and Attractive Assets Policy* (there is one person nominated as the custodian for PCS, City Rangers and DAS respectively).

⁴⁴ For example an ACT whole-of-government body may ensure the ACT network is governed effectively for all stakeholders and might approve specification for radio equipment to optimise use of the network. As an example, the sponsor for this governance body could be the Digital Chief Information Officer for the ACT.

⁴⁵ Two-way radios in the APX series can also be ordered with different coloured case coverings, this colour-coding could be used to distinguish contractor/volunteer radios from staff radios for example.

- Consider engraving or tagging radio batteries with the 'home' depot name to ensure adequate batteries are available for each two-way radio.

Deployment and use of two-way radios

- Suggest explicit reference be made to management of two-way radios as portable and attractive items in the *Parks and Territory Services – Portable and Attractive Assets Policy*. For practicality, consider only requiring formal transfer of two-way radios when the radios are being used by a new primary user⁴⁶ or contractor/volunteer associated with a different depot – reflect in the *Parks and Territory Services – Portable and Attractive Assets Policy*.
- Consider installing portable repeaters (or use a Digital Vehicular Repeater System (DVRS)⁴⁷) to extend the coverage range in areas without full coverage for two-way radios⁴⁸.
- Engage a reputed security firm to check antennas and other two-way radio equipment is installed properly to optimise coverage prior to first use and on a regular basis.
- Ensure two-way radios can be securely attached to an operator's belt or light unit for example to reduce the risk of damage during field operations.
- Report coverage issues to the ACT Radio Architect to consider technical solutions.

Obsolescence and loss management (including tracking)

- Provide easily accessible examples of completed asset forms (such as the incident and disposal forms) for staff reference and training.
- Consider acquiring APX 8000 series two-way radios to obtain wireless reprogramming capability and site entry and exit logging to a database (not available for APX 6000 and APX 7000 series two-way radios).
- An over-allocation of two-way radios could be securely stored in the TAMS central office to allow substitution of units when radios are damaged and need to be replaced or repaired to ensure operations continue to be properly resourced.
- Train staff in the use of simplex mode⁴⁹ for all two-way radios and provide protocols for use, including during work in limited or no coverage areas.
- To support tracking, require all users to keep a well-charged battery fitted to each two-way radio.
- Develop a standard procedure and checklist for systematic removal of two-way radios attached to vehicles (and other TAMS property) prior to return of a vehicle.
- Provide regular reports of any issues relating to the use of two-way radios, to the ACT Radio Architect to ensure maintenance issues are considered in monthly trend analysis meetings with the vendor, Motorola⁵⁰.

Deactivation, return and replacement

- Following removal of network access, two-way radios for repair or replacement could be sent to the ACT Radio Architect in Shared Services/ESA to provide to the vendor. Under a Fleetcare

⁴⁶ The individual user assigned a two-way radio on a primary basis.

⁴⁷ A DVRS is mounted on the trunk of a vehicle to extend coverage when the portable two-way radio is away from the vehicle. It is commonly used to improve portable radio coverage for police, fire and emergency personnel working away from vehicles. It currently costs approximately \$5K to purchase and can improve capability from 5 Watts used by each portable radio up to 25 Watts through remote connection to vehicle radio capability.

⁴⁸ The ACT Radio Architect with Shared Services/ESA has performed propagation analysis which has established that there would be full network coverage for two-way radios being used in the ACT if portable repeaters were installed at ranger stations in no/broken coverage areas.

⁴⁹ In simplex mode operators can talk to each other (and locate another radio) over shorter distances without the benefit of a signal-boosting repeater. Canadian logging operators mostly use simplex mode for communications.

⁵⁰ A Motorola Fleetcare arrangement may need to be entered into for Motorola to review TAMS two-way radio operational issues.

arrangement, where a unit is not economic to repair, such as due to fire damage, some units may be replaceable free of charge.

- Following each stocktake, a list of two-way radios to be inhibited could be reviewed by the relevant depot manager prior to inhibiting the radios to ensure located radios in active use are not being inhibited.
- Include disconnection and inhibition policy for two-way radios in the *Parks and Territory Services – Portable and Attractive Assets Policy*.

Attachment H – Stakeholders Consulted

Name	Position	Location
Anthony Polinelli	Chief Audit Executive	Macarthur House
Christopher Aquilina	Internal Audit Manager	Macarthur House
Daniel Iglesias	Director, Parks and Conservation Service (PCS) Depots	Macarthur House
Fleur Flanery	Manager, City Rangers and Domestic Animal Services (DAS) Depots	Macarthur House
Chris Mooney	Agency Security Advisor - Senior Manager, Security and Emergency Management	Macarthur House
Phil Gritti	Manager, Protective Security	Macarthur House
Ross Burden	Business Manager, Parks and Territory Services	Macarthur House
Meaghan Hart	Asset management officer	Macarthur House
Mick Ivill	Fire management officer	Stromlo Depot
Julian Davies	Fire management officer	Stromlo Depot
Stuart Jeffress	Regional Manager, Urban Reserves	Mitchell Depot
Mark Sweeney	Ranger-in-charge Mulligans Flat	Mitchell Depot
Stephen Clayton	Area Work Supervisor Urban Reserves North Operations and Environmental Assets	Mitchell Depot
Kylie Jenkins	Manager Licensing and Compliance, City Rangers and Domestic Animal Services	Macarthur House
Matt Potter	Licensing and Compliance Officer, City Rangers and Domestic Animal Services	Macarthur House
Brett McNamara	Regional Manager Namadgi, Tidbinbilla and West of Murrumbidgee River	Namadgi District
Michelle Jenkins	Namadgi Administration Officer	Namadgi Depot
Kieran Lawton	Area Manager Tidbinbilla	Tidbinbilla Depot
Colin Schofield	Googong Depot Acting Manager	Googong Depot
Jim Hewitt	ACT Radio Architect	Shared Services and Emergency Services Agency
Norman Deutsch	NOCC Manager NSW Government Radio Network	BAI Communications, Sydney
David Roulston	CIO David Roulston, TAMS Chief Information Officer – Director AIMS	Macarthur House

Attachment I – Statement of Responsibility

We take responsibility for this report, which is prepared on the basis of the limitations set out below.

The engagement has been performed as an audit as defined under Australian Standard on Assurance Engagements (ASAE) 3000 "Assurance Engagements Other than Audit or Reviews of Historical Financial Information".

Our procedures were designed to provide reasonable assurance as defined by ASAE 3000, which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, the use of selective testing, the inherent limitations of internal controls and because much of the evidence available to the auditor is persuasive rather than conclusive in nature.

Further, the internal control structure of client has not been reviewed and no view is expressed as to its effectiveness.

The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2016-17

MR BRENDAN SMYTH MLA (CHAIR), MR JAYSON HINDER MLA (DEPUTY CHAIR), MS JOY BURCH MLA, MR STEVE DOSZPOT MLA

**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Joy Burch Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 22

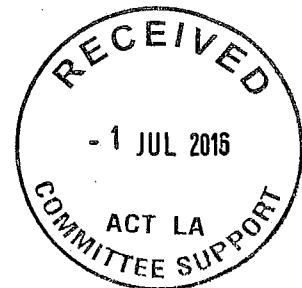
In relation to: Tuggeranong Town Centre
Please provide a timeline for work at Anketell Street

Meegan Fitzharris : The answer to the Member's question is as follows:–


The two year timeline for this project is consistent with the standard schedule for such projects.

Tuggeranong Town Centre - Anketell Street (north) Improvements Stage 1 Program

Preliminary Sketch Plans	July 2016
Community Consultation	July to August 2016
Consultation Report	Sept 2016
Final Sketch Plans completed	November 2016
Tender Documentation completed	December 2016
Tender Construction	December 2016
Engage Contractor and Superintendent	February 2017
Construction commence	March 2017
Construction complete	June 2017



Approved for circulation to the Select Committee on Estimates 2016-17

Signature: 

Date: 1/7/2016

By the Minister for Transport and Municipal Services, Meegan Fitzharris



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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Joy Burch Tuesday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 150

In relation to: Anketell and Gartside Street

Please provide the committee with a detail spend on Anketell Street and Gartside Street.

Meegan Fitzharris : The answer to the Member's question is as follows:-

Expenditure as of 27 June for Anketell Street stage 1 is \$0.028m

These funds have been spent on the design and stakeholder engagement processes completed to date.

Expenditure as of 27 June for Gartside Street project is \$0.081m

These funds have been spent on the design and stakeholder engagement processes completed to date.

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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Steve Doszpot Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 151

In relation to: Shopping Centre Upgrades

Can you provide the committee with the priority list for the shopping centre upgrades announced in the 2016-17 budget?

Meegan Fitzharris : The answer to the Member's question is as follows:—

The revised local shopping centre priority list is currently being developed and will be completed in August 2016.

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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Brendan Smyth 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016, page 152

In relation to: Shopping Centre Upgrades

Can you provide the committee with the current list of priority shopping centre upgrades?


Meegan Fitzharris : The answer to the Member's question is as follows:-

The current priority list of local shopping centres for upgrade is as follows:

- Cook
- Kambah (Mannheim Street)
- Rivett
- Evatt
- Florey
- Hughes
- Torrens
- Spence



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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Alistair Coe on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 27

In relation to: Gun licences in Territory and Municipal Services

Who is the current owner as per the licence issues by ACT Policing?

Meegan Fitzharris : The answer to the Member's question is as follows:—

The *Firearms Act 1996* requires government agencies that possess firearms to hold a 'composite entity firearms licence'.

The composite entity firearms licence is currently held by Scott Seymour.

The only staff within TAMS with access to firearms are conservation officers within the Parks and Conservation Service. Portfolio responsibility for the Parks and Conservation Service lies with Minister Gentleman, as Minister for Planning and Land Management.

Environment and Planning Directorate (EPD) has arranged for a composite entity licence for its Director-General to ensure a seamless transition when the Parks and Conservation Service merges with EPD on 1 July 2016.



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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Brendan Smyth 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 31

In relation to: Waste

Please provide the committee with a written explanation/breakdown of the 75% waste figure.
How is it calculated?

Meegan Fitzharris : The answer to the Member's question is as follows:—

This indicator is calculated using weighbridge data of waste to landfill, and data provided by local ACT resource recovery and recycling industries. The waste to landfill and resource recovery data are combined to provide a total waste generation level.

It should be noted that the target does not include the potential impact of increased tonnage going to landfill as a result of the Mr Fluffy asbestos demolition program.

The target percentages are based on historical results from these sources which have seen the Territory return an annual recycling result of greater than 70%.

An example of the calculation method shows in 2014-15 the waste to landfill was 243,793 tonnes and the total reported tonnages recovered from the waste stream as per the returned surveys was 645,910 tonnes. This provides total tonnages of waste for the Territory of 889,703 (= 645,910 / 889,703 = 72.6%).

This methodology has been an agreed approach of measuring the recycling outcomes for the Territory as part of the annual audit process since the inception of the measurement.

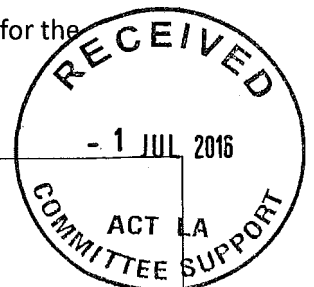
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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Jayson Hinder 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016, page 37

In relation to: Waste

How many people have registered their interest in the Green Bins trail?

Meegan Fitzharris : The answer to the Member's question is as follows:-

There has been an initial expression of Interest from 3,034 households since the announcement of the initiative. Approximately 116 have been from residents of areas not included in the initial pilot suburbs.

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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Brendan Smyth on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 39

In relation to: Capital Linen

Can the committee have a copy of the Capital Linen Financial statement?

Meegan Fitzharris : The answer to the Member's question is as follows:-

The Operating statement of Capital Linen Service is at Attachment A for the financial year ending 30 June 2015.



Approved for circulation to the Select Committee on Estimates 2016-17

Signature:

Date:

1/7/2016

By the Minister for Transport and Municipal Services, Meegan Fitzharris

Capital Linen Service
Operating statement for the period
1 July 2014 to 30 June 2015

Income:

User Charges	12,807,030
Gains ⁽¹⁾	84,616
Total Income	12,891,646

Expenses:

Employee Expenses	4,374,404
Non-Employee Expenses:	
Total Supplies & Services	6,961,033
Other Expenses ⁽²⁾	120,180
Depreciation	1,613,349
Total Expenses	13,068,966

Operating Result (deficit) (177,319)

⁽¹⁾ Gains refer to assets found in stock-takes

⁽²⁾ Other expenses refer to loss on disposal of assets



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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Jayson Hinder on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript Monday 27 June 2016 page 41]

In relation to: Mattress recycling

Where does the mattress recycling material by Soft Landing go and where does production take place?

Meegan Fitzharris : The answer to the Member's question is as follows:—

The metal extracted from mattresses is of high quality and subsequently is shipped to Wollongong by the contractor and sold for further processing and recycling.

Fabric is transported to a recycler in Bellambi Wollongong and the foam and latex is sold and the materials used in manufacturing a range of new products.

The timber extracted from the mattresses is sent to a local facility for further processing.

Approved for circulation to the Select Committee on Estimates 2016-17

Signature:

Date:

30/6/2016

By the Minister for Transport and Municipal Services, Meegan Fitzharris





LEGISLATIVE ASSEMBLY
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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Brendan Smyth on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 52

In relation to: Traffic counts

Can you please provide the daily traffic counts for:

- Woodcock;
- Tharwa Drive; and
- Johnson Drive



Meegan Fitzharris : The answer to the Member's question is as follows:-

The daily traffic counts are:

- Woodcock Drive carries around 12,000;
- Tharwa Drive carries around 23,500; and
- Johnson Drive carries around 12,000.

Approved for circulation to the Select Committee on Estimates 2016-17

Signature:

Date:

1/7/2016

By the Minister for Transport and Municipal Services, Meegan Fitzharris



LEGISLATIVE ASSEMBLY
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**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by Brendan Smyth on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016 page 159

In relation to: The Gungahlin to the City projects

Provide the committee a reconciliation of the \$20m.

Meegan Fitzharris : The answer to the Member's question is as follows:–

The total expenditure as of 27 June 2016 is \$7.605 million

A copy of the project list and their forecasted budgets can be found at [Attachment A](#).

Approved for circulation to the Select Committee on Estimates 2016-17

Signature:

Date:

1/7/2016

By the Minister for Transport and Municipal Services, Meegan Fitzharris



Attachment A

TABLE 1

Project	Project Budget	Project Status
City/Northbourne Urban Design Framework – Design only	0.7m	Completed
Gungahlin Drive Widening - Design and Construction	4.2m	Completed
Well Station Drive Park & Ride - Design	0.3m	Completed
Northbourne Corridor Utilities Master Plan - Study	0.2m	Completed
Dickson Bus Interchange – Design & Construction	4.5m	Design Completed
Civic to Gungahlin 3D Digital Survey	1.0m	Completed
Northbourne Corridor Active Travel Improvements - Design and Construction	2.0m	Under Construction
Gungahlin Bus Interchange – Design & Construction	4.5m	Design Progressing
Active Traffic Monitoring – Design and Construction	0.6m	Under Construction
Northbourne Avenue Refurbishment Precinct – Design and Construction	2.0m	Under Construction
Totals	20.0m	



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2016-17

MR BRENDAN SMYTH MLA (CHAIR), MR JAYSON HINDER MLA (DEPUTY CHAIR), MS JOY BURCH MLA, MR STEVE DOSZPOT MLA

**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

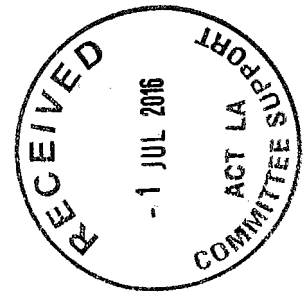
Asked by Brendan Smyth on Monday 27 June 2016: Meegan Fitzharris took on notice the following question(s):

Ref: Hansard Transcript 27 June 2016, page 54

In relation to: Nurdurr Drive

What is the estimated cost for Nurdurr Drive?

Meegan Fitzharris : The answer to the Member's question is as follows:—



The estimated cost for Nurdurr drive in current dollars it is approximately \$16.0 million.

Approved for circulation to the Select Committee on Estimates 2016-17

Signature:

Date:

1/7/2016

By the Minister for Transport and Municipal Services, Meegan Fitzharris