



INTERNAL AUDIT SERVICES

Public Transport Authority

Internal audit report – Rail Access Compliance

August 2006

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Distribution

Reece Waldock	CEO
Hugh Smith	General Manager of Networks and Infrastructure
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Inherent limitations

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

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

The internal audit findings expressed in this report have been formed on the above basis.

Third party reliance

This internal audit report has been prepared at the request of the Public Transport Authority Audit Committee or its delegate in connection with our engagement to perform internal audit services as detailed in the engagement contract, dated 10 January 2006. Other than our responsibility to the Board and Management of Public Transport Authority, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Public Transport Authority's external auditor, on this internal audit report. Any reliance placed is that party's sole responsibility.

Background, Objective, Scope & Approach

Background

The PTA is responsible for maintaining an effective internal control structure including control procedures in relation to compliance with the Railways (Access) Act 1998 and the Railways (Access) Code 2000. The Economic Regulation Authority (ERA) requires PTA to perform a 2005-06 Compliance Audit, with a specific scope as detailed in the scope section.

PTA's effective internal structure for compliance with Rail Access legislative and regulatory requirements comprises seven core documents, which have been reviewed and endorsed by the Economic Regulation Authority:

- Segregation Arrangements
- Train Path Policy
- Train Management Guidelines
- Costing and Overpayment Rules
- Key Performance Indicators
- Floor and Ceiling Prices
- Weighted Average Cost of Capital.

The users of PTA's rail network can be classified according to two categories:

- Associates of PTA (Transperth Train Operations ("TTO") and Transwa); and
- Third party operators (there are currently five).

Third party operators account for a very small percentage of total train kilometres travelled on PTA's rail network.

Objective

The objective of this internal audit is to consider PTA's compliance with the Railways (Access) Act 1998 and the Railways (Access) Code 2000 in relation to the scope specified by the ERA, for the year ended 30 June 2006.

Scope

The scope of work performed for this engagement is provided in Table 1, which details both ERA's scope items (per ERA's letter to the PTA dated 9 June 2006) and the internal audit work specification.

Table 1: Scope of the Internal Audit

Scope	Work Specification
<i>Segregation</i> ¹	
1. Has PTA complied with all segregation responsibilities taking into consideration the requirements of the <i>Railways (Access) Act 1998</i> , the Regulator's Determination, and approved PTA Segregation Arrangements and associated procedures, including the obligation to maintain separate accounts and records?	We considered, through discussions with key personnel and sighting supporting documentation, whether the Segregation Arrangements document has been complied with. Note, the scope is limited to the Segregation Arrangements document only, which, as reviewed and approved by the ERA, includes all segregations responsibilities required in the <i>Railways (Access) Act 1998</i> , and the Regulator's Determination, including the obligation to maintain separate accounts and records.

¹ As defined by the ERA in *Scope of the 2005-06 Compliance Audit*

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Background, Objective, Scope & Approach (cont)

Scope	Work Specification
2. Has PTA applied pricing principles consistently to ensure that access prices charged to its associates are similar to access prices charged to other entities in accordance with Schedule 4, clause 13 of the <i>Railways (Access) Code 2000</i> .	We considered PTA's pricing principles alignment with Schedule 4, clause 13 of the <i>Railways (Access) Code 2000</i> . We performed sample testing, where possible, to consider whether access charges have aligned with PTA's pricing principles.
<i>Train Path Policy and Train Management Guidelines</i> ²	
3. Has PTA provided operators with a time profile of its schedule of repair, maintenance or upgrading works to be undertaken and the length of potential disruptions?	Through discussions with key personnel and sighting a sample of supporting documentation, we considered whether PTA provided operators with a time profile of its schedule of repair, maintenance or upgrading works to be undertaken and the length of potential disruptions.
4. In instances where PTA was unable to meet the identified time commitments, did it advise the affected operators of the revised time profile within a reasonable period?	We considered a sample of instances where PTA was unable to meet the identified time commitments initially communicated for a potential disruption, and, through discussions with key personnel and sighting supporting documentation, we considered whether PTA advised affected operators of the revised time profile within a reasonable period.

Scope	Work Specification
5. To what extent has PTA operated outside the train decision matrix for events defined within the matrix during the 2005-06 year. Provide number and nature of these instances. Has PTA developed a decision process to manage these "special conditions"?	Through discussions with key personnel and reviewing documentation, we considered the number and nature of instances when PTA operated outside the train decision matrix for events defined within the matrix during the 2005-06 year. We considered whether PTA has developed a decision process to manage these "special conditions".
6. Have PTA scheduled train paths been affected by planned track maintenance activities and planned track upgrades, where the parties cannot be provided satisfactory alternate train paths?	We considered the frequency and duration of disruptions to parties when scheduled train paths have been affected by planned track maintenance activities and planned track upgrades.
<i>Using reported Key Performance Indicators (PTA – percent of trains arriving later than 3 minutes)</i> ²	
7. What was the likelihood that actual departure or arrival times for a train using a PTA scheduled train path differs sufficiently from those set out in the scheduled train path?	We considered, through discussions with key personnel and review of management reporting, the likelihood of actual departure or arrival times for a train using a PTA scheduled train path differing sufficiently from those set out in the scheduled train path.

² As defined by the ERA in *Scope of the 2005-06 Compliance Audit*

Background, Objective, Scope & Approach (cont)

Scope	Work Specification
8. Has PTA's imposition of temporary speed restrictions in various parts of the rail network resulted in a deterioration of agreed train transit times being achieved on a continuing basis?	Through discussions with key personnel and considering supporting documentation, we considered the impact of temporary speed restrictions in various parts of the rail network on achievement of agreed train transit times.
<i>PTA's Overpayment Accounts³</i>	
9. Has PTA managed the over-payment accounts in accordance with the Over-payment Rules?	We considered PTA's compliance with PTA procedures addressing compliance with the Over-payment Rules.

Approach

The approach adopted for this internal audit was as follows:

- Discussion with key PTA personnel responsible for Rail Access functions.
- Consideration of relevant Rail Access procedures designed to comply with rail access legislative and regulatory requirements.
- Consideration of evidence supporting compliance with procedures, where available and appropriate.
- Development of a report summarising work performed and identifying any instances of non-compliance with respect to areas under scope of our engagement.

³ This scope item is a requirement of the Over-payment Rules.

Summary of Findings and Recommendations

Strengths

During the course of the internal audit, we noted the following strengths:

- Track closures and Work Programs are required to be developed up to a year in advance, providing an adequate notification period to third party operators.
- The Project Safety Plan specifically requires PTA to provide rail access to a third party operator during the track closure period. This internal requirement is designed to achieve minimal rail access disturbance to the third party operator wherever possible.
- Policies, procedures and supporting documentation were readily available and provided in a timely manner.

Issues

During the course of the internal audit, we noted the following key issues:

- Four instances of non-compliance with the Segregation Arrangements procedure. One of these instances arises through the lack of finalised Internal Access Agreements for Transperth Train Operations (TTO) and Transwa. *It was therefore not possible for Internal Audit to consider whether the terms and conditions in the rail access agreements with third party operators are consistent with the terms and conditions for TTO and Transwa, as required by the ERA.*
- A lack of clarity in the consistency of rail access charges being applied to third party operators, to Transperth Train Operations and to Transwa. Consistency is not clear due to: access charges being based on different pricing measures (for example, pricing measures applied include per train or per container); and the lack of finalisation of Internal Access Agreements for Transperth Train Operations (TTO) and Transwa and the subsequent lack of direct charges to

TTO and Transwa for rail access. *It was therefore not possible to consider whether prices charged to third party operators are similar, or whether access prices charged by PTA to its associates are similar to access charges being charged to other entities, as required by the ERA.*

- A lack of formal monitoring and recording of the number and nature of 'special conditions'. *It was therefore not possible for Internal Audit to consider the extent to which PTA have operated outside the train decision matrix for events defined within the matrix during the 2005-06 year, as required by the ERA.*
- Operational Key Performance Indicator Reporting does not include data on rail access third party operators. *The lack of inclusion of third party operators in KPI reporting means it was not possible for Internal Audit to completely consider the following ERA requirements:*
 - *The extent to which third party operator scheduled train paths have been affected by PTA operations.*
 - *The likelihood that actual departure or arrival trains for third party operator trains using a scheduled train path differ sufficiently from those set out in the scheduled train path.*
 - *Whether PTA's imposition of temporary speed restrictions resulted in a deterioration of agreed train transit times on a continuing basis.*

Note, third party operators account for a very small percentage of total train kilometres travelled on PTA's rail network, leading to a low risk rating for these issues.

- Income due to PTA from one third party operator's use of PTA's rail network is not currently transferred by Westnet Rail to PTA.

Summary of Findings and Recommendations (cont)

Inherent limitations

The results are based on statements and representations made by, and information and documentation provided by, PTA personnel. The rating does not represent an evaluation or conclusion on the effectiveness of the design or operation of any individual control, nor the overall internal controls.

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. Internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure.

Overall management comment

PTA acknowledges its responsibilities in establishing and maintaining compliance with the Act and the Code.

To the best of my knowledge and belief PTA has complied with the relevant requirements of the Act and the Code.

I believe the internal audit has been conducted satisfactorily and issues raised during the internal audit will be actioned accordingly.

Hugh Smith

General Manager, Networks and Infrastructure

Table 2: Summary of key findings

Page No	Internal audit issue – description	Rating of internal audit issues			
		Critical	High	Moderate	Low
7	Four instances of non-compliance with the Segregation Arrangements procedure.			R4	R1,R2,R3
8	Consistency of access charges across third party operators and PTA associates is unclear.			R5,R6	
9	Lack of formal monitoring and recording of the number and nature of 'special conditions'.				R7
10	Key Performance Indicators do not include third party operators.				R8
12	Non-transfer of income due PTA from third party operator use of PTA rail network.				R9

More details of the issues and recommendations are included in Appendix 1.

Appendix 1 – Internal audit issues to be actioned

1. Non-compliance with Segregation Arrangements procedure		Moderate
Issue and Risk	Recommendations	Agreed management action
<p>Segregation Arrangements have been formally documented by PTA which, as reviewed and approved by the ERA, includes all segregations responsibilities required in the Railways (Access) Act 1998, and the Regulator’s Determination.</p> <p>Issues:</p> <p>The following non-compliances were noted relating to requirements in the Segregation Arrangements procedure.</p> <ul style="list-style-type: none"> The Job Description Form (“JDF”) for Train Controllers does not include as a principal responsibility, compliance with the Train Management Guidelines. In-house training for train controllers does not formally include explanation of the Train Management Guidelines and an emphasis on compliance with the Guidelines. Access seekers are not specifically referred to section 21 (1) of the Code for their rights when determining the fairness of prices. Internal Access Agreements for Transperth Train Operations (TTO) and Transwa have not been finalised. <i>It was therefore not possible for Internal Audit to consider whether the terms and conditions in the rail access agreements with third party operators are consistent with the terms and conditions for TTO and Transwa, as required by the ERA.</i> <p>Risks:</p> <p>Breach of the Segregation Arrangements procedure, Railways (Access) Act 1998, and the Regulator’s Determination.</p>	<p>We recommend that Management:</p> <ul style="list-style-type: none"> Update the JDF for Train Controllers to include compliance with the Train Management Guidelines as a principal responsibility. (R1, Low) Include in formal in-house training for train controllers an explanation of the Train Management Guidelines and an emphasis on compliance with the Guidelines. (R2, Low) Update the ‘first response’ to specifically refer access seekers to their rights under section 21 (1) of the Code. (R3, Low) Finalise and implement the Internal Access Agreements for Transperth Train Operations (TTO) and Transwa, ensuring consistency with terms and conditions offered to other third party operators. (R4, Moderate) 	<ul style="list-style-type: none"> JDF for Train Controllers will be amended to include Train Management Guidelines as a principal responsibility. <i>Responsibility: Mal Ripp</i> <i>Due Date: 30 Nov 2006</i> Formal in house competency based training currently being prepared will include an explanation of the Train Management Guidelines and an emphasis on compliance with the guidelines. <i>Responsibility: Mal Ripp</i> <i>Due Date: 30 June 2007</i> The “First Response” letter in procedure 8110-200-009 will be amended to include a reference to access seekers rights under section 21(1) of the Code. <i>Responsibility: Mal Ripp</i> <i>Due Date: 30 Nov 2006</i> Internal access agreements (Protocols) with Transperth Trains and Transwa, which are currently in draft form will be finalised. These agreements are based on the same terms and conditions of PTA’s Standard Access Agreement offered to third party operators. <i>Responsibility: Mal Ripp</i> <i>Due Date: 30 June 2007</i>

Appendix 1– Internal audit issues to be actioned (cont)

2. Consistency of access charges to third party operators and PTA associates is unclear		Moderate
Issue and Risk	Recommendations	Agreed management action
<p>The PTA rail network is linked to Westnet Rail’s network with all third party operators utilising both networks. As the majority of train kilometres travelled is on Westnet Rail’s network, it has been agreed by PTA, Westnet Rail and each third party operator that the Westnet Rail rates apply for use of each rail network.</p> <p>Schedule 4, clause 13 of the Railways (Access) Code 2000 requires consistency in the application of pricing principles to third party operators.</p> <p>Issues:</p> <p>The following issues were noted in relation to the consistency of access prices charged to third party operators.</p> <ul style="list-style-type: none"> • The access charges currently applied lack transparency in consistency across third party operators, due to different pricing measures (for example, pricing measures applied include per train or per container). • Internal Access Agreements for Transperth Train Operations (TTO) and Transwa have not been finalised, resulting in direct access charges not currently being applied. <p><i>It was therefore not possible to consider whether prices charged to third party operators and PTA’s associates are similar, as required by the ERA.</i></p> <p><i>In finalising this internal audit, we were provided with the ERA’s Final Report – Review of the Western Australian Railways (Access) Code 2000, which indicates that third party operator rail access agreements negotiated outside the Code do not have the ability to use other Code rights, including the ERA’s consideration of consistency of access prices charged to associated entities. Management advise that all third party operators have negotiated access charges outside the Code.</i></p> <p>Risks:</p> <p>Potential breach of Schedule 4, clause 13 of the Railways (Access) Code 2000.</p>	<p>We recommend that Management:</p> <ul style="list-style-type: none"> • Perform a reconciliation that compares access charges across all third party operators to illustrate consistency of access charges, and justify inconsistencies. If this reveals unjustifiable inconsistencies or is not practically achievable, management should consider applying costing principles that ensure consistency, such as through using a single pricing measure. (R5, Moderate) • During implementation of R1 (finalise and implement the Internal Access Agreements for Transperth Train Operations (TTO) and Transwa), ensure access prices charged by PTA to its associates are similar to access prices charged to other entities. (R6, Moderate) 	<ul style="list-style-type: none"> • PTA Costing Principles, which have been approved by the Economic Regulation Authority, allow negotiations to be outside the Code. As current charges are based on WestNet Rail charges and have been agreed outside the Code the charges can not be compared for consistency with the PTA Costing Model. <i>Responsibility: Mal Ripp Due Date: Completed</i> • In finalising access agreements (Protocols) with Transperth Trains and Transwa, access pricing will be determined. <i>Responsibility: Mal Ripp Due Date: 30 June 2007</i>

Appendix 1– Internal audit issues to be actioned (cont)

3. Lack of formal monitoring and recording of the number and nature of 'special conditions'		Low
<p>Issue and Risk</p> <p><i>The Train Management Guidelines state that Train Controllers must use the train decision matrix to determine which train will be given preference in the event of conflict of train paths. Such an event occurs when a train is running late, potentially affecting other trains on the system. The main objective of the decision matrix is to ensure that unbiased preferences are provided to third party operators. A 'special condition' occurs where a preference is given to a train, which is inconsistent with the decision matrix.</i></p> <p>Issues:</p> <ul style="list-style-type: none"> There is no formal system to monitor and record the number and nature of 'special conditions'. It is therefore not possible for Internal Audit to consider the extent to which PTA have operated outside the train decision matrix for events defined within the matrix during the 2005-06 year, as required by the ERA. <p>Risks:</p> <p>Potential breach of ERA requirements.</p>	<p>Recommendations</p> <p>We recommend that Management:</p> <ul style="list-style-type: none"> Implement a process to formally monitor and record the number and nature of 'special conditions' that occur each year, and to appropriately follow-up and close-out these instances. <p>(R7, Low)</p>	<p>Agreed management action</p> <ul style="list-style-type: none"> Train Controllers agree potential special conditions with drivers of third party trains accessing PTA's network and notate on the train diagrams any changes to scheduled timetables. It is not intended, due to few third party operators and rare special conditions, for PTA to specifically monitor and record special conditions. If an issue arises, full details can be obtained from the new train control system and the Incident and Fault Recording System (IFRS). <p><i>Responsibility: Mal Ripp</i> <i>Due Date: Completed</i></p>

Appendix 1 – Internal audit issues to be actioned (cont)

4. Key Performance Indicators do not include third party operators		Low
<p>Issue and Risk</p> <p><i>PTA is required to report KPIs defined by the ERA on a quarterly and annual basis for 'all users' that are provided rail access. The KPIs communicate the extent of rail access availability or restrictions to third party operators, arising from PTA operations.</i></p> <p>Issues:</p> <ul style="list-style-type: none"> The data used as the basis for operational KPI reporting does not include third party operators, and is solely based on PTA's associates, Transperth Train Operations (TTO) and Transwa. <p><i>We note that third party operators account for a very small percentage of total train kilometres travelled on PTA's rail network.</i></p> <p><i>We note that Management advise this is due to a system limitation within the train control system, which is expected to be resolved through implementation of a new monitoring and reporting system that will facilitate reporting of all user data, currently in development stage and due to be completed by December 2006.</i></p> <p><i>This issue was also raised in the 2004 Rail Access Compliance Report to the ERA.</i></p> <p>(Continued overleaf)</p>	<p>Recommendations</p> <p>We recommend that Management:</p> <ul style="list-style-type: none"> Implement a monitoring and reporting system to capture 'all users'. Until this system has been implemented, KPI reports to the ERA should specifically note that the 'data is exclusive of third party operators'. <p>(R8, Low)</p>	<p>Agreed management action</p> <ul style="list-style-type: none"> With the introduction of the new Train Control system all trains are now tracked on the network. Various reporting requirements through Visirail are currently being determined and future operational KPI's for ERA will capture all trains. Until then operational KPI's submitted to ERA will indicate Transperth Trains only. This item was previously reported in Compliance Audit 2004 to be implemented in 2006. <p><i>Responsibility: Mal Ripp</i></p> <p><i>Due Date: 31 January 2007</i></p>

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Appendix 1 – Internal audit issues to be actioned (cont)

4. Key Performance Indicators do not include third party operators (cont)		Low
Issue and Risk (cont)	Recommendations	Agreed management action
<p><i>The lack of inclusion of third party operators in KPI reporting means it was not possible for Internal Audit to completely consider the following ERA requirements:</i></p> <ul style="list-style-type: none"> - <i>The extent to which third party operator scheduled train paths have been affected by PTA operations;</i> - <i>The likelihood that actual departure or arrival trains for third party operator trains using a scheduled train path differ sufficiently from those set out in the scheduled train path.</i> - <i>Whether PTA's imposition of temporary speed restrictions resulted in a deterioration of agreed train transit times on a continuing basis.</i> <ul style="list-style-type: none"> • The KPI reports do not clearly communicate base data inclusions and exclusions. <p>Risks:</p> <ul style="list-style-type: none"> • Non-compliance with KPI reporting procedures outlined by the ERA. • Stakeholders are not aware of the KPI reports excluding third party operators. 		

Appendix 1 – Internal audit issues to be actioned (cont)

5. Non-transfer of income due PTA from third party operator use of PTA rail network		Low
<p>Issue and Risk</p> <p><i>Westnet Rail receives payments for all third party operators on behalf of PTA, in accordance with the 'Rail Freight System Act 2000' as noted in the Western Australian Government Gazette. This legislation captures all third party operators except for 'ARG' and 'South Spur', which implies that PTA should be receiving payment for both of these third party operators.</i></p> <p>Issues: During our internal audit we identified that ARG's payments are not forwarded by Westnet Rail to PTA.</p> <p>Risks:</p> <ul style="list-style-type: none"> PTA does not receive revenue it is entitled to in a timely manner. 	<p>Recommendations</p> <p>We recommend that Management:</p> <ul style="list-style-type: none"> Consider developing a procedure which ensures payments from ARG to Westnet Rail for use of PTA's rail network is forwarded to PTA in a timely manner. <p>(R9, Low)</p>	<p>Agreed management action</p> <ul style="list-style-type: none"> PTA is currently negotiating an agreement with WestNet Rail where WestNet Rail will act as a "One Stop Shop" for third parties accessing both WestNet Rail and PTA. PTA portion of the access charge for third parties will then be forwarded to PTA by WestNet Rail monthly. <p><i>Responsibility: Mal Ripp</i> <i>Due Date: 30 June 2007</i></p>

Appendix 2 – Classification of internal audit findings

The following framework for internal audit ratings has been developed and agreed with Public Transport Authority Management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with Management.

Rating	Definition	Examples of business impact	Action required
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Potential financial impact of between \$20 million to \$50 million. • Reputation – Profound influence on PTA reputation • Operations – Detrimental impact on operations or functions. • Public confidence – Decrease in the public’s confidence in the company. • Service delivery – Serious decline in service delivery, value and/or quality recognised by the public. • Regulatory – Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. • Safety – Life threatening. 	<ul style="list-style-type: none"> • Requires immediate notification to the Audit Committee. • Requires CEO/Executive Management attention. • Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days with an expected resolution date and a substantial improvement within 90 days. • Separately reported to chairman of the Audit Committee and executive summary of report.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Potential financial impact of between \$5 million and \$20 million. • Reputation – Significant influence on PTA’s reputation • Operations – Major impact on operations or functions. • Public confidence – Probable decrease in the public’s confidence in PTA. • Service delivery – Major decline in service delivery, value and/or quality recognised by customers. • Regulatory – Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. • Safety – Extensive injuries. 	<ul style="list-style-type: none"> • Requires prompt management action. • Requires executive management attention. • Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months. • Reported in executive summary of report.

Appendix 2 – Classification of internal audit findings (cont)

Rating	Definition	Examples of business impact	Action required
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Potential financial impact of between \$1 million and \$5 million. • Reputation – Moderate impact on PTA’s reputation. • Operations – Moderate impact on operations or functions. • Public confidence – Possible decrease in the public’s confidence in PTA. • Service delivery – Moderate decline in service delivery, value and/or quality recognised by customers. • Regulatory – Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. • Safety – Medical treatment required. 	<ul style="list-style-type: none"> • Requires short-term management action. • Requires general management attention. • Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months. • Reported in executive summary of report.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Potential financial impact of up to \$1 million. • Reputation – Mild impact on PTA’s reputation. • Operations – Minor impact on internal business only. • Public confidence – Should not decrease the public’s confidence in the company. • Service delivery – Minimal decline in service delivery, value and/or quality recognised by customers. • Regulatory – Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. • Safety – First aid treatment. 	<ul style="list-style-type: none"> • Requires management action within a reasonable time period. • Requires process manager attention. • Timeframe for action is subject to competing priorities and cost/benefit analysis, eg. 9-12 months. • Reported in detailed findings in report.