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City of Joondalup

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Regulation 5 (2)(c) Financial Management Review

May 2023

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1. EXECUTIVE SUMMARY

Introduction

The City of Joondalup (the City) is a local government area with City status in Perth, Western Australia. The City covers an area of 96 square kilometres from Kinross in the north, to Warwick in the south and is bounded by Beach Road to the south, Wanneroo Road and Lake Joondalup to the east, Tamala Park to the north and the Indian Ocean to the west. Its central business district is in the suburb Joondalup (30 kilometres from the Perth CBD), and it includes the town centres of Hillarys and Warwick.

The City is one of the larger local governments in Western Australia based on a population of around 160,000 people. Popular beaches with excellent facilities are located at Marmion, Sorrento, Hillarys, Pinnaroo Point, Whitfords, Mullaloo, Ocean Reef, Iluka, and Burns Beach. Beachside leisure activities include boating, water skiing, snorkelling, fishing, windsurfing, animal exercise and dual use paths ideal for walking and cycling. The City provides a wide range of community services and some of the best leisure and sporting facilities available, catering for junior and senior sporting and recreational pursuits.

The City's natural assets include the Yellagonga wetlands, and the City works closely with the Department of Biodiversity, Conservation and Attractions, the City of Wanneroo, and a variety of community groups to manage the natural assets of the region. The City continues to work closely with regional stakeholders to develop cultural, educational, and economic initiatives.

Audit Objective:

This audit is classified as an assurance audit with a focus on controls. We used a combination of walkthroughs and sampling to test controls.

Stantons focussed on the following areas to assess the appropriateness and effectiveness of the financial management systems and procedures:
- Revenue, Receipting and Accounts Receivable
- Accounts Payable (transaction and master file)
- Maintenance and security of financial records
- Payroll
- Stock control and costing records
- Asset Management
- IT General Controls
- Banking
- Credit Cards
- Budgeting and reporting.

Our audit also considered the following:

Regulation 5(2)(c) requires the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government not less than once in every three financial years and report to the local government the results of those reviews.

The report should summarise the financial management systems reviewed, findings of the review, management's responses and recommendations on the following financial systems and procedures of the City as required by Regulation 5(1):

- Proper collection of all money owing to the local government

- Safe custody and security of all money collected or held by the local government

- Proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process)

- Proper accounting for municipal or trust — revenue received or receivable, expenses paid or payable and assets and liabilities

- Proper authorisation for the incurring of liabilities and the making of payments

- Maintenance of payroll, stock control and costing records

- Assistance in the preparation of budgets, budget reviews, accounts and reports required by the *Local Government Act 1995* (LGA) or these Regulations.

Scope of works

The audit period (agreed within the Internal Audit Plan) was 1 July 2021 to 30 June 2022. The onsite commencement of the audit was delayed by the City from November 2022 until January 2023.

2. OVERALL AUDIT OUTCOMES AGAINST AUDIT SCOPE OF WORKS

Overall Risk Rating

Scope Report Reference	Audit Scope	Outcomes	Risk Rating
8.1	Revenue, Receipting and Accounts Receivable	Mostly Achieved	Minor
8.2	Accounts Payable	Achieved	N/A
8.3	Maintenance and security of financial records	Achieved	N/A
8.4	Payroll	Achieved	N/A
8.5	Stock control and costing records	Mostly Achieved	Minor
8.6	Asset Management	Partly Achieved	Moderate
8.7	IT General Controls	Mostly Achieved	Minor
8.8	Banking	Mostly Achieved	Minor
8.9	Credit Cards	Mostly Achieved	Minor
8.10	Budgeting and Reporting	Mostly Achieved	Minor

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3. SUMMARY OF FINDINGS

1. Some of the documented procedures relating to revenue and receipting have either not been finalised and/or do not reflect practices that are occurring within the City.

2. The Financial Services officer were identified as responsible for controlling the stocktake within the Warehouse, rather than the Internal Auditor as specified within the Protocol.

3. The City does not have documented policy/protocol relating to Asset Management practices within the City covering areas such as Asset Acquisition, Asset Capitalisation Thresholds, Asset Register, Asset Transfer, Asset Disposal, Asset Write-off, etc.

4. Asset addition forms were not completed (and authorised) for Asset #1011184 – Ford Ranger 1HNF304 and Asset #1011197 – Truck 1HPR183, and asset retirement forms were not completed (and authorised) for Asset #1010827 – 1EWI283 Hyundai and Asset #1010986 – Isuzu 1GKD537.

5. The City has indicated that it performs an asset stocktake every five (5) years, however, the WA Local Government Accounting Manual Section 9.1.6 – Asset Inspection and Control, indicates that stocktakes should be conducted "*at least every three years*".

6. The City still has several OAG findings due for completion in 2023 or beyond, including the finding for Cyber Security Incident Management (relating to testing of the City's Incident Response Protocol) which remains outstanding whilst IT determines what form the testing regime will take.

7. The Unpresented Cheque list contains cheques that are more than 18 months old and may be considered stale.

8. The function of various sections on the *Purchasing Card Request / Petty Cash Reimbursement* appears to be unclear to users.

9. The 2022-2023 Annual Budget - Note 9 – Fees and Charges Revenue is reflected by Type rather than by Program.

10. The 2020-2021 Annual Financial Report was submitted to the Departmental CEO beyond the required 30 days from the receipt of the auditor's report by the City's CEO.

4. RECOMMENDATIONS

1. Audit recommends that the City review and update documented procedures for revenue and receipting to ensure that they reflect current practices.

2. Audit recommends that as the Financial Services officers are responsible for entering the count quantities and posting the variance adjustments, then the control of the stocktake should be managed by another independent officer(s).

3. Audit recommends that the City considers developing an Asset Management Policy/Protocol for both infrastructure and non-infrastructure assets incorporating areas such as Asset Acquisition, Transfer, Valuation, Location, Depreciation, Stocktake, Minor Works, Disposal, Write-off, etc.

4. Audit recommends that the City complete an Asset Acquisition and Asset Retirement Form before acquiring/disposing of assets to enhance control over the asset management function.

5. Audit recommends that the City undertakes a stocktake on assets at least every three (3) years as indicated by the WA Local Government Accounting Manual.

6. Audit recommends that the City continue to progress with actioning the outstanding findings from the OAG's Information Systems Audit.

7. Audit recommends that the City cancel the stale cheques and contact the payee(s) for an alternative payment method.

8. Audit recommends that the City considers redesigning the existing Form or setting up two separate forms (1) for Purchasing Card Request and (2) for Petty Cash Reimbursement.

9. Audit recommends that the City ensures that the 2023-2024 Annual Budget reflected the Fees and Charges Revenue by Program.

10. Audit recommends that the City ensures that the 2022-2023 Annual Financial Report is submitted to the Department within 30 days of receiving the auditor's report.

5. BUSINESS IMPROVEMENTS

1. There were no business improvements raised.

6. OVERALL COMMENTS

City of Joondalup (the City) - Management Comments

Management comments are provided against the individual recommendations in the following pages. The City notes that the review of financial management systems and procedures is not necessarily identified in the *Local Government Act 1995* or the *Local Government (Financial Management) Regulations 1996* as an assurance requirement.

The City also notes that a review of the effectiveness of financial management systems and procedures typically considers the most current data available to ascertain whether appropriate systems, controls and processes exist and/or are working as intended.

The review undertaken appears to have considered only data between 1 July 2021 and 30 June 2022. The City requests clarification that this is adequate to form an opinion on whether systems and processes are operating effectively currently.

Stantons - Audit Management Comments

Stantons appreciates the support and assistance that the City of Joondalup provided during the conduct of the internal audit and acknowledge the considered management comments.

We acknowledge all the management comments to the recommendations. For recommendation four, we acknowledge it is not considered reasonable to implement these forms, due to the level of the componentisation detail involved and note that the forms will be pre-populated once system upgrades are completed.

Audit acknowledges that much of the testing concentrated on transaction data between 1 July 2021 and 30 June 2022 and believes this was adequate given there were no major changes to systems, personnel, or processes. We have examined other documentation such policies and processes dated post 30 June 2022.

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7. RISK RATING AND DEFINITIONS

Risk Ratings and Interpretations

Risks Ratings	Rating Interpretation	Suggested timing of implementing recommendations
Critical	The finding poses a severe risk to the City if not appropriately and timely addressed.	Commence remedial action immediately
Major	The finding poses significant risk to the City if not appropriately and timely addressed.	Commence remedial action within 3 months
Moderate	The finding poses less significant risk to the City if not appropriately and timely addressed.	Commence remedial action within 6 months
Minor	The finding poses minimal risk to the City if not appropriately and timely addressed, and the risk may develop more or cause other risks to develop.	Commence remedial action within 12 months

DISCLAIMER, BASIS OF AUDIT AND LIMITATIONS

DISCLAIMER
This report is prepared for the City's internal use and may be shared with its auditors and professional advisors for internal use. Copying and distribution of this report to other parties should not be done without prior approval and consent from Stantons.

BASIS OF AUDIT
We have conducted our audit in accordance with the applicable Performance Standards of the International Standards for the Professional Practice of Internal Auditing. The content of this report therefore represents the independent view by Stantons purely based on the information provided by the City members of staff during audit fieldwork. Changes to the contents of the report without Stanton's involvement will render all contents less "independent" and unrepresentative of Stanton's position with regards to the contents contained therein.

INHERENT LIMITATIONS
Because of the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

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

Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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Report Release

Released by (Name): James Cottrill   *Signature:*

Title: Principal, Internal Audit, IT Audit & Risk Consulting   *Date: 05 May 2023*

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8. DETAILED AUDIT ASSESSMENT

8.1 REVENUE, RECEIPTING AND ACCOUNTS RECEIVABLE

Overall Outcome	The City has in place adequate processes for Revenue, Receipting and Accounts Receivable, although the City's overarching approach (including internal controls) for the administration of the revenue, receipting and accounts receivable functions is not documented.

Through inquiry with relevant staff members, and review of documentation, Audit gained an understanding of the City's revenue, receipting, and accounts receivable systems and processes, noting the design and implementation of the processes operating within the City.

The City's predominant sources of revenue arise from Rates, Fees and Charges, and Grants. Revenue for the City is received via a variety of methods before being recorded within TechOne – Financials (also known as Finance One) including:

- Cash
- Cheque
- EFTPOS
- Agency - Australia Post
- BPay
- SecurePay.

In relation to receipting within the organisation, the City has various documented procedures such as:

- Cash Handling – Large Amounts (last reviewed 20 June 2018)
- CSO (Leisure Centres) Refunding a Point of Sale Transaction (last reviewed June 2018)
- Credit Card or Debit Card – Refund (in progress – last edited 31 December 2021)
- Cash – Refund (awaiting approval – last edited 11 January 2023)
- End of Shift Procedure – Joondalup and Whitfords CSC (Last Reviewed 9 August 2018)
- Beginning of Shift Procedure – Joondalup and Whitfords CSC (Last Reviewed 9 August 2018)

The City has identified that some aspects of these procedures (such as no Customer Service being offered at Whitfords, float amount changed to $400, CTi for cash/cheque deposits and cash exchange rather than Prosegur and our balancing and tracking of the float and daily banking is now all maintained electronically) have changed and are due for review and update.

Although the City has various policies and procedures that cover certain aspects relating to revenue, receipting and accounts receivable (some of which are due for review/update), the City does not have a document that details the City's overarching approach (including internal controls) for the administration of the revenue, receipting and accounts receivable functions – such as revenue systems used, revenue types generated (who, where, how), revenue collection methods, revenue/receipt reporting, invoice raising and debtor follow-up/write-off processes – refer to the Regulation 17 Review Report pertaining to Internal Controls.

A daily Cash Receipt Summary process is undertaken to receipt or journal the revenue into TechOne - Financials from the various sources. Review of daily takings during June 2022, indicated that the City receives minimal cash receipts.

Recognition of revenue by the City is depended upon the category of fees and charges:

- Refuse charges – when rates notice is issued.
- Membership fees, Learn to swim program, User entry fees, Off street parking fees, On street parking fees, and Multi storey car parking fees – when fees are paid.
- Parking and other infringements – when payment is received.
- Pool inspections – when rates notice is issued.
- Other inspections – when the fees are paid.
- Development application fees – when the fees are paid.
- Facilities hire – when the fees are paid.
- Property rental – Upon issue of the invoice.

Payment notices (with the exception of property rental) are mostly generated by the respective business unit outside of the accounts receivable and are only reflected as revenue upon receipt.

The City has a Venue Hire Fees and Charges Policy (last amended August 2022) and a detailed process for Outstanding Hire Fees – Monthly Invoices (last amended 2 November 2020). The public can book a facility, park, or venue, as well as "Make a payment online" using Visa or Mastercard via the City's website. The business unit manages the bookings and outstanding payments based upon the process for outstanding hire fees.

Audit reviewed the online payment process (SecurePay) for functionality and as part of a sample of fees and charges during 2021-2022 to confirm that TechOne – Financials transaction records reflect revenue banked within the Municipal Account.

Rates are administered through the TechOne - Property and Ratings Module which incorporate rate types of improved or vacant for ex gratia, residential, commercial, industrial, and rural properties based on GRV (Gross Rental Value), or UV (Unimproved Value) calculated as a general rate or minimum payment. The City has a Payment of Rates and Charges Policy (last amended May 2021), Rates Hardship Policy (created May 2021) and various documented procedures for rates including:
- Rates Modelling
- Revaluation Process
- Change of Ownership (In Progress – last edited 11 May 2020)
- Raising Rates for the New Financial Year (In Progress – last edited 24 June 2020)
- Interim Rates (In Progress – last edited 8 February 2020)
- Annual Rates Printing Process
- End of Month Process (In Progress – last edited 8 February 2020)
- Running Final Notices
- Debt Collection – Rating Services.

Audit review of a sample of rates notices generated during 2021-2022 across the various rate types confirmed that the amount and description correspond with the rates approved within the Budget 2021/22.

Per the revenue recognition methodology used by the City, the account receivable records maintained within TechOne primarily relate to rates, property rentals and some other sundry debtors. The Aged Debtors Trial Balance Report is generated monthly and reviewed (with comments on follow-up actions taken for long outstanding amounts). As at 30 June 2022, the balance of debtors greater than 90 days is minimal, indicating that City's debtor management is functioning effectively.

Finding 1	Some of the documented procedures relating to revenue and receipting have either not been finalised and/or do not reflect practices that are occurring within the City.
Risk Rating	Minor
Recommendation 1	Audit recommends that the City review and update documented procedures for revenue and receipting to ensure that they reflect current practices.

Management Comment – Recommendation 1

Processes and procedures are being reviewed in preparation for the ERP system replacement project. The City will review process documentation both for improvement and clarity and documentation will be updated as required to reflect current practice.

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8.2   ACCOUNTS PAYABLE

Overall Outcomes	The City has in place adequate processes for Accounts Payable and Contract Management, although the City's overarching approach (including internal controls) for the administration of the accounts payable function is not documented.

Through inquiry with relevant staff members and review of documentation, Audit gained an understanding of the City's step-by-step purchasing, payments and creditors systems and procedures, noting the design and implementation of the processes operating within the City.

During the audit, the City provided documents in various formats that were primarily related to purchasing, which only provided some insight into the accounts payable function.

Microsoft Word based procedures containing screenshots from TechOne:
- Creation of New Suppliers
- How to Add and Edit a Document on the Intranet 'Shared Documents'
- How to Delete a Requisition that is stuck in the Purchasing Workflow
- How to Reject a Purchase Order
- How to Release a Purchase Order.

ProMapp based procedures:
- Changes to Creditors Details (last edited 10 November 2022 with Published status).

Documented Protocols:
- Purchasing of Goods and Services (last reviewed July 2020)
- Quotations for Providing Goods and Service (last reviewed July 2020)
- Tenders for Procurement of Goods and Services (last reviewed July 2020)
- Travel, Accommodation and Vehicle Hire (last reviewed September 2014)
- Purchasing Goods and Services under Prequalified Supplier Panels (last updated July 2019).

A request for a list of all ProMapp procedures for the City noted that additional procedures relating to the accounts payable function exist within the Financial Services Business Unit but currently have a status as Unpublished (and were not provided during the audit) including:
- Accounts Payable – Creating an EFT Run
- Accounts Payable – Raising a Cheque Run
- Accounts Payable Trial Balance
- Processing Invoices (No Purchase Order)
- Processing Invoices (With Purchase Order).

Review of the documentation noted that although the City does have certain processes documented (some Published and others Unpublished), it does not have an overarching document that details the City's overall approach (including internal controls) for the administration of the accounts payable function – such as an accounting manual that provides the complete picture of how all the components fit together – refer to the Regulation 17 Review Report pertaining to Internal Controls.

Audit reviewed the City's Purchasing of Goods and Services Protocol (last reviewed July 2020) noting that officers can approve requisitions up to their authorised or delegated limit and confirmed that they cannot authorise payment of invoices related to purchase orders they themselves have previously approved providing segregation of duties. The City primarily utilises the TechOne for purchasing through the use of requisitions and purchase orders, with

payments conducted and approved within the system. Other methods of expenditure approved within the Purchasing Protocol include petty cash (minor goods to the value of $100), credit cards/trade cards, cheques (e.g., staff reimbursements) or advance payments (where supplier does not accept purchase order).

The Quotations for Provision of Goods and Services Protocol, specifies that quotations are required for all goods or services ranging from $5,000 to $250,000 (excl. GST) as follows:

Expenditure Level	Quotation Requirements
Up to $5,000	No quotations required
$5,001 to $10,000	Minimum of Two (2) Verbal Quotations
$5,001 to $10,000 Summer Season Events Only	One (1) Verbal/Written Quotations
$10,001 to $50,000	Minimum of Two (2) Written Quotations
$50,001 to $250,000	Minimum of Three Written Quotations

Per the City's Purchasing of Goods and Services Protocol, Audit noted that Authorised/Delegated Officers are responsible for ensuring expenditure is incurred under the approved budget, goods and services are sourced from approved or contracted suppliers and prices sought are in line with agreed or contract prices.

The City's Register of Delegation of Authority - Section 1.19 Payments from Municipal Fund – Incurring Liabilities and Making Payments specifies the subdelegates that have delegated authority under the following categories:

Category	Limit (excl GST)	Officer
A	Unlimited	Director Corporate Services
B	Up to $2 million	Manager City Project Director Infrastructure Services Director Governance and Strategy Director Planning & Community Development
C	Up to $250,000	Manager Financial Services Manager Operation Services Manager Asset Management Manager Information Technology etc.
D	Up to $100,000	Manager Audit and Risk Services Coordinator Building Capital Works Coordinator Building Maintenance Coordinator Fleet Management etc.
E	Up to $25,000	Manager Strategic & Organisational Development Manager Governance Manager Human Resources Manager Planning Services Manager Regulatory Services etc.
F	Up to $5,000	Executive Assistant to the Mayor Senior Financial Accountant Senior Management Accountant Coordinator Rating Services etc.

Audit review of a sample of payments verified that tax invoices were received and well maintained by the City, payment details were matched with invoice descriptions, GST amounts were correctly accounted, and payments were authorised. The City's Standard Payment Terms as detailed within their New Supplier Information Form are 30 Days Net (30 days from the end of the month in which the goods or services were provided, although, we noted one payment for $143,959.09 (GST incl) to Cleanaway was paid on 15 February 2022 which was 2.5 months (75 days) after the waste services had been provided to the City in November 2021. We understand that there was a dispute in relation to insufficient/unsatisfactory data being provided to the City to substantiate some of the charges, however, despite there being no evidence or explanation provided within the payment documentation for the delay beyond the City's own 30 day standard payment terms, we were advised that any delays in payment are highlighted in the City's standard exception reports.

Purchases over $250,000 are subject to the Tenders for Procurement of Goods and Services Protocol which details the requirements for request for tender documentation, tender advertising and open period, tender evaluation, etc. Audit review of a sample of contracts (Australian Airconditioning Services, BE Projects (WA) PTY LTD, and Cleanaway) existing during 2021-2022 noted that the City had assessed the respective tenders and the Council had approved the awarding of the contract to the recommended supplier - with contract transactions included within the sample of payments being verified.

Review of the Ordinary Meeting of Council minutes identified that a listing of payments from the Municipal and/or Trust Account relating to the period two months prior is submitted for noting by the Council in accordance with Regulation 13(3) of the Local Government (Financial Management) Regulations 1996.

Utilisation within Finance One is segregated between officers that update supplier information (as part of the purchasing function) and officers that process payments (through the accounts payable function). Audit review noted that nineteen (19) officers have the access to the Accounts Payable Officer Workplace ("JF1.APOFFICER") in which five (5) perform the Accounts Payable payment functions, comprising one (1) certifying officer, three (3) expenditure services officers, and one (1) casual financial officer. Likewise, there are eleven (11) officers have the access to the Supply Chain Workplace ("JF1.SYS.ADMIN" or "$IN.SYS.ADMIN"), four (4) of which have the access to add/edit supplier information, comprising three (3) purchasing officers and one (1) contract support officer. The other users have access to the workplace by virtue of their roles in Finance, IT and/or system administration.

Payments to a supplier are initiated via a payment run process in TechOne - Financials and cannot be progressed to either an EFT or cheque without approval within the system by an authoriser - usually the Senior Financial Accountant. This process also identifies the originator of a payment run, to ascertain that a payment run has been initiated by an Accounts Payable team member. The payrun is normally undertaken twice per month (mid and end of month) with the EFT (bank) file automatically uploaded from Finance One into Westpac online banking where it is authorized by two delegated officers.

Within Finance One, there is an audit trail identifying users that have made changes to supplier details (Masterfile) and supplier bank account changes reports are separately run every two weeks prior to the fortnightly payment by the Financial Services Admin Officer and reviewed by the Manager Financial Services Review of changes to supplier details within Finance One Masterfile during April 2022 confirmed that the process to amend and verify supplier bank accounts details has been undertaken.

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The FBT and GST administration and compliance processes and systems have been separately reviewed (previously by Stantons) in 2020. Review of the accounts payable process noted that:

- FBT transactions with an underlying FBT event are identified and reflected within the FBT workbook. This 'catch all' approach ensures the City reports all FBT events and include the resulting FBT balances in their annual FBT return. Separate tabs are set-up in the FBT Workbook for each identified FBT category. Review of the FBT Workbook for 1 April 2021 to 31 March 2022 noted that it appears to incorporate the respective FBT related activities occurring at the City during the year.

- GST is charged and recorded against debtor invoices and claimed and recorded against creditor invoices within the system. Thus, GST balances used to populate the quarterly BAS (Business Activity Statement) return is driven by the system. As part of our accounts payable testing, Audit agreed the GST (if applicable) on the sample invoices selected to the City's GST ledger (100006173).

Aside from the observations reflected above, no further items were noted.

8.3   MAINTENANCE AND SECURITY OF FINANCIAL RECORDS

Overall Outcome	The City has adequate processes in place for the maintenance and security of financial records.

The City of Joondalup has a Records Management Policy which applies to all City elected members, staff and contractors and relates to any hard-copy, digital or online record that meets one or more of the following criteria:

- It conveys information essential or relevant in decision-making processes.
- It conveys information upon which others will, or may, use to make decisions affecting the City's operations, rights, and obligations under legislation.
- It commits the City to certain courses of action, the commitment of resources or provision of services.
- It conveys information about matters of public safety or public interest or involves information upon which contractual undertakings are entered into.
- The information is likely to be needed for future use or is of historical value.

In addition, the City has a Recordkeeping Responsibilities Protocol which relates to all employees, contractors and elected members covering areas such as:

- use of files
- storing of information
- use of information.

Most the City's financial records are electronic and are stored within Content Manager (CM) - an integrated Electronic Document and Record Management System (EDRMS) which can manage the City's corporate information. CM supports the City in complying with legislative record keeping requirements to control electronic documents and records, as well as enabling staff to access and retrieve vital information at their desktop.

Officers are required to store all documents and records generated electronically to the appropriate file reference (container), via the corporate templates, generic store, Microsoft Outlook, and TechOne via workflow events. Electronic access to records enables staff in different locations to access a document simultaneously, whereas traditional hardcopy files take time to move around the organisation and are frequently hard to locate or are lost / misplaced.

Access to corporate records by City staff and contractors will be in accordance with designated access and security classifications, as determined by the Records Services Coordinator (in conjunction with the IT Security Protocols). The information is effectively managed including the following factors:

- Providing immediate access to current information
- Retention and disposal of information is managed
- The security access controls to information is strengthened
- Audit trails are provided
- The integrity and security of the information is maintained.

Training in recordkeeping practices and the use of the City's document and records management systems is available to all newcomers upon commencement and ongoing training is available upon request to the Records Services Coordinator. Elected Members are made aware of their recordkeeping responsibilities as part of the Elected Member Induction Program.

Discussion with the Manager Financial Services relating to any concerns over security of financial records indicated that financial staff have access to different information dependent upon user requirements (such as need and level) to maintain security over more confidential data/records. Any hard-copy financial records are managed by Records Management based upon *State Records Act 2000* requirements and retention periods.

Review of access to data used for funds transfers via online banking noted the following:

- Creditor Payments – bank file uploaded directly from TechOne to Westpac Online banking – no user intervention (or access to the bank file) - with two delegated officers as authorisers are required to initiate payment in the bank

- Payroll Payments – Aurion generated EFT (bank) file uploaded by Payroll Officers into Westpac Online Banking usually early morning on payday and Finance receive notification that file is ready for authorisation (two delegated officers are required to initiate payment in the bank) mid-morning on the payday

- Investments to financial institutions outside of Westpac have bank details setup within Westpac (based upon investment strategy) and any alterations to recipient financial institution banking details require two delegated officers to authorise.

Discussion with the HR Data and Systems Analyst indicated that they were aware (including the issue being raised by previous auditors) of the ability for the Aurion generated EFT (bank) file to be potentially altered by various users that have access to the Payroll/EFTDisk network folder within the current environment. It was indicated, however, that any alteration to the total amount would be identifiable during Payroll checks before uploading into Westpac online banking, or changes to individual amounts would result in employees notifying Payroll that the deposit into their bank account did not correspond with their payslip.

Observation 3/2019 (from the previous Regulation 5 review) noted that "the capability for the City to generate a user security access matrix is not enabled within FinanceOne. Without that capacity, the City is limited in its ability to ensure that users are only granted access rights necessary to perform their authorised duties". The Manager Information Technology has indicated that the concept of a user security access matrix does not exist within TechOne, and the City is implementing a new FMIS in the near future. In the interim, the list of user roles and their access is reviewed annually.

Apart from the observations made, no issues were noted.

8.4 PAYROLL

Overall Outcome	The City has in place adequate processes for managing new employees, current employees, and terminated employees, although the City's overarching approach (including internal controls) for the administration of the payroll function is not documented.

Through inquiry with relevant staff members and review of documentation, Audit gained an understanding of the City's step-by-step payroll systems and procedures, noting the design and implementation of the processes operating within the City.

The City does not, however, have documented overarching policies/protocols (detailing internal controls) in place for the payroll function – refer to the Regulation 17 Review Report pertaining to Internal Controls.

Employees of the City are employed (during 2021-2022) under the following Agreements:
- City of Joondalup Building Maintenance Agreement 2019
- City of Joondalup Inside Workforce Enterprise Agreement 2018 - varied 2020
- City of Joondalup Outside Workforce Enterprise Agreement 2018
- City of Joondalup Leisure Centres Casual Workforce Enterprise Agreement 2016 - effective until 20/11/22.

Aurion is the human resources and payroll system. Officers that are responsible for maintaining employee and payroll data comprise the following:
- Payroll & HR System Administrator
- Data & Systems Analyst
- Senior Payroll Officer
- Payroll Officer
- Manager Human Resources
- Business Systems Analyst.

Audit reviewed the City's employee listings dated 19/01/2023. For the previous financial year, we noted that there was a total of 333 new employees during the period 01/07/2021 to 30/06/2022. Audit conducted testing on a sample of four new employees to determine whether the City has adequate controls over adding new employees which verified that employee details were correctly entered into payroll system (including commencement date, employment type, working hours, position, level, pay rate, etc.) and contracts were signed by employees and maintained by the City. The City's Onboarding System demonstrates new employees' onboarding process details, including contract, the City's vision and values, Code of Conduct, Fair Work Statement, etc.

Audit testing on a sample of nine existing employees identified that overtime and allowances were approved, base salary was in accordance with the respective agreement, taxation and superannuation calculation was accounted for correctly, and all the employees' placement history, rate history, and pay records were stored safely in the system. During the review it was noted that records of hours worked were not maintained by full-time employees. Discussion with the Data & Systems Analyst identified that all the City's employees are required to keep a timesheet effective from 01/01/2023, as WA Local Governments transitioned from the Federal Industrial Relations Systems to the State Industrial Relations System, which requires employees to keep a timesheet.

During the period from 01/07/2021 to 30/06/2022 it was noted that there were 413 terminated employees, due to retirement, resignation, etc. Audit testing of a sample of four terminated

employees verified that these employees were recognised as terminated in the system with an agreed termination date and only paid until the termination date.

Audit reviewed the City's payroll report for the periods ending 17/09/2021, 04/01/2022, and 13/05/2022, noting that the City performs a payroll payrun every fortnight based upon a standard Pay Run Process, Pay Run Checklist, as well as a Post Pay Run Finance Process. Fortnightly Pay Reports are generated with the Disbursement Summary Report approved by the Human Resources Manager before uploading into Westpac online banking and authorised by two officers from Financial Services. The fortnightly Payroll Costing Reports are forwarded to the Business Units for approval and/or to provide notification back to payroll of any observed issues or errors. Review of a sample of employees from the payruns to identify the procedure for recording leave, noted that their leave was processed via the Aurion Self Service, whereby the leave application was created by employee and approved by their supervisor.

The 2019 Review of Financial Management Systems and Procedures finding relating to a potential risk of unauthorised payments (due to unrestricted access or unencrypted data) prior to uploading of the EFT file into the online banking has been addressed above in 8.3 Maintenance and Security of Financial Records.

No further issues were noted.

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8.5 STOCK CONTROL AND COSTING RECORDS

Overall Outcome	The City has in place adequate processes for its stock control and costing records, although the City's overarching approach (including internal controls) for the administration of the inventory function is not documented.

Through inquiry with relevant staff members and review of documentation, Audit gained an understanding of the City's stock control (inventory) systems and procedures, noting the design and implementation of the processes operating within the City.

The City's Warehouse utilises the TechOne inventory system for the management of stock items regularly utilised within the City (such as irrigation supplies, PPE, and cleaning items). Inventory purchases are undertaken via requisition/purchase order through the FinanceOne purchasing workflow and the inventory issues are via hardcopy Stores Issue Dockets (signed by supervisor) that are processed manually within the inventory system to reduce stock levels for items issued.

Documented procedures relating to the Warehouse function are as follows:
- Adding New Items to the Warehouse
- Issue clothing from WOC stores
- Return stock to stores
- Take items out of stores (WOC).

There are two officers that work within the Warehouse which have a "good gauge" of the levels and do daily walkthroughs of important/fast moving items to ensure stock numbers are sufficient.

There is an Annual Inventory Stocktake Protocol that details the responsibilities of the various employees including:
- Stores Controller – applies pre-stocktake cut-off process and provides guidance to the count team,
- Count Team Members – performs the stocktake per stipulated count procedures under supervision of the Internal Auditor
- Financial Accounting officers – ensures inventory transactions are posted prior to stocktake, generates count sheets from Finance One, enters count quantities and posts variances
- Internal Auditor – allocates count sheets, overseas the count, reviews variance report and initiates any recounts, signs stocktake report.

The annual stocktake for 2021-2022 was undertaken on 20 June 2022 with minimal stock variances noted within the Stocktake Analysis Report. Through discussion, it was identified that the Finance Officers (rather than the Internal Auditor) control the stocktake process within the Warehouse.

Finding 2	The Financial Services officer was identified as responsible for controlling the stocktake within the Warehouse, rather than the Internal Auditor as specified within the Protocol.
Risk Rating	Minor
Recommendation 2	Audit recommends that as the Financial Services officers are responsible for entering the count quantities and posting the variance adjustments, then the control of the stocktake

	should be managed by another officer independent of the stores function.

Management Comment – Recommendation 2

Agree that oversight/control of the annual stores inventory stocktake should preferably not sit with Financial Services officers as it allows for better segregation of duties and, hence, stronger controls. It is noted that this task was previously undertaken by Internal Audit, as outlined in the protocol, but was ceased due to Internal Audit capacity.

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8.6 ASSET MANAGEMENT

Overall Outcome	The City has in place processes for managing assets, although the City's overarching approach (including internal controls) for the administration of the asset management function is not documented.

The City has an overarching Asset Management Policy that details the City's approach to asset management to include:

   a) Defining technical and community levels of service and monitoring their performance to ensure continued relevance.
   b) Forecasting and managing impacts on demand, including demographic changes and
   c) advancements in technology.
   d) Ongoing testing of the long-term affordability and practicality of defined levels of service, and the manner in which they will be sustainably financed.
   e) Implementing a structured framework for the planning and delivery of asset management practice across the organisation that considers stakeholder inputs.
   f) Maintaining accurate and reliable asset data to effectively inform decision-making.
   g) Ensuring that defined technical and community levels of service for each infrastructure asset are compiled and made available to Elected Members.

Review of this document and discussion with the Finance Team and the Infrastructure Asset Management Team, indicates that a more detailed Asset Management Manual has not been developed to provide additional guidance to the City on its internal asset management practices. The City's Asset Stocktake Protocol provides some information on the asset stocktake approach and the Annual Financial Report provides aspects of the City's asset accounting treatment within Note 10 – Fixed Assets (including information on revaluation, depreciation, and assets class). The City has a Five Year Capital Works Program, annual budget for asset acquisitions and profit/loss on asset disposal, as well as an Asset Addition and Asset Retirement Form, however, this does not detail the day-to-day processes necessary for asset management relating to acquisition, capitalisation threshold, asset register, asset transfer/disposal/write-off, etc.

The Department of Local Government, Sport and Cultural Industries (DLGSCI) - Introduction to Local Government Accounting - 4.5 Policies, Procedures and Delegations indicates that a policy on Asset Management is one of the financial policies that a local government may consider. To provide some guidance to local governments on asset management, DLGSCI has available an Accounting Guideline – Non-Current Physical Assets, as well as the Western Australian Local Government Accounting Manual – Section 9 – Asset Accounting.

The City's asset register comprises two separate asset registers, being the "Combined (CAR) Register" and the "FIN Register" which are maintained in TechOne by the Infrastructure Asset Management and Finance Business Units respectively. The "CAR Register" for infrastructure assets, provides details for five (5) assets classes, comprising buildings, drainage, lighting, parks, and transport, while the "FIN Register" for financial assets contains the remaining asset types under ten (10) categories including artifacts and art, computers, fleet and plant, furniture, and office, etc.

Audit review of the "CAR Register" provided in Microsoft Excel format, noted that a large proportion of assets had been separated into individual components resulting in the initial entry reflecting an ongoing Useful Life, however, a zero ($0) Current Asset Cost, Current Depreciation, and Written-down Value.

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To determine the accuracy of the "FIN Register", a small sample of assets were sighted and verified as matching the description of the respective assets contained within the register. Within the Register, Audit noted that Asset # 1011041 – Transit Custom Van has an indicated Useful Life of 13 years (after commissioning on 02/07/2018), however, is shown with a Current Assets Cost, Current Depreciation and Written-down Value of zero ($0). It was advised that this is a duplicate entry which was reversed within the system, although it was not reflected as being disposed/cancelled until August 2022.

Audit reviewed a sample of four asset additions and four asset disposals (on the basis of the City's Asset Addition and Asset Retirement forms) noted that the acquired assets have been registered in the "FIN Register", and the disposed assets have been removed from the "FIN Register", however, it appears that no asset addition forms were completed (or authorised) for Asset #1011184 – Ford Ranger 1HNF304 and Asset #1011197 – Mitsubishi Canter 1HPR183, and no asset retirement forms were completed (or authorised) for Asset #1010827 – 1EWI283 Hyundai and Asset # 1010986 – Isuzu D-Max 1GKD537.

Review of the 2021-2022 Vehicle/Plant Replacement Program listing noted that we were unable to locate the two disposals for Plant Number F95448 (Isuzu D-Max) or F95395 (Hyundai iLoad). The addition of the F95507 (Ford Ranger) indicates that it is the replacement of the old asset F95448 (which is not listed), however, we do note that F95502 (Mitsubishi Canter) was a replacement for F95331 which is in the list as a Truck. Either way, we believe that an Asset Addition Form and Asset Retirement Form is necessary – as the forms state "This form is to be used when a new asset is acquired or commissioned" or "This form is to be used when following decommissioning/disposal of an asset". The forms confirm authority for the addition/disposal to occur and provides vital information that is to be included in the Register that may not be automatically known by the officer updating the Register or other aspects of TechOne.

Review of the Asset Stocktake Protocol indicates that the document remains in "Draft" and was last updated in January 2020. The Protocol specifies that the stocktake of assets in the FIN Register are done on regular basis to correspond with periodic revaluations of those classes of assets, and the stocktakes of land, buildings and infrastructure assets are conducted at the time of periodic revaluation or at condition assessment by an independent professional valuer or an internal expert. Discussion with the Finance Team indicated that the FIN Register Stocktake is performed every five (5) years, however, the WA Local Government Accounting Manual Section 9 *Asset Accounting*, under sub-section 9.1.6. *Asset Inspection and Control,* it suggests that *"an effective way to ensure the liability of an asset register is to conduct regular (at least every three years) stock takes and physically assessing what assets are still controlled by the local government"*.

Review of the City's insurance policy with LGIS verified that the City had in place insurance covering property and motor fleet.

Finding 3	The City does not have documented policy/protocol relating to Asset Management practices within the City covering areas such as Asset Acquisition, Asset Capitalisation Thresholds, Asset Register, Asset Transfer, Asset Disposal, Asset Write-off, etc.
Risk Rating	Moderate

Recommendation 3	Audit recommends that the City considers developing an Asset Management Protocol for both infrastructure and non-infrastructure assets incorporating areas such as Asset Acquisition, Transfer, Valuation, Location, Depreciation, Stocktake, Minor Works, Disposal, Write-off, etc.

Management Comment – Recommendation 3

The City will review and develop appropriate documentation to cover these elements, where considered necessary or where not already covered under other policies/protocols, e.g., accounting policies. It is envisaged this is most appropriately undertaken in conjunction with development of Asset Management Plans.

Finding 4	Asset addition forms were not completed (and authorised) for Asset #1011184 – Ford Ranger 1HNF304 and Asset #1011197 – Truck 1HPR183, and asset retirement forms were not completed (and authorised) for Asset #1010827 – 1EWI283 Hyundai and Asset #1010986 – Isuzu 1GKD537.
Risk Rating	Minor
Recommendation 4	Audit recommends that the City complete an Asset Acquisition and Asset Retirement Form before acquiring/disposing of assets to provide an enhanced audit trail.

Management Comment – Recommendation 4

This process is already in place for PPE (Property, Plant and Equipment) assets, other than vehicles that are acquired/disposed as part of the fleet replacement program. It is not considered reasonable to implement these forms for Infrastructure Assets, due to the level of the componentisation detail involved. In the latter case, the regular Asset Capitalisation memos prepared and submitted to Financial Services serve to cover infrastructure assets capitalised and disposed of each quarter.

As advised to auditors during the review, the forms are not applied to vehicles that are listed in the annual fleet replacement program approved as part of the Annual Budget adoption by Council. Further the audit trail for the particular vehicle added links to the purchase order and invoice, approved under delegated authority, that support the asset addition.

Noted that, with system/technology upgrades, the forms would be pre-populated and would provide no additional control.

Finding 5	The City has indicated that it performs an asset stocktake every five (5) years, however, the WA Local Government Accounting Manual Section 9.1.6 – Asset Inspection and Control, indicates that stocktakes should be conducted "*at least every three years*".
Risk Rating	Moderate
Recommendation 5	Audit recommends that the City undertakes a stocktake on assets at least every three (3) years as indicated by the WA Local Government Accounting Manual.

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Management Comment – Recommendation 5

Management notes that the current asset stocktake interval has been set after considering risk, effectiveness and efficiency, among other aspects. The asset stocktake process is currently being updated in respect of PPE (Property, Plant and Equipment) other than land and buildings and is expected to be finalised soon (changed from draft to final).

Assets that are reported at fair value have stocktakes undertaken in conjunction with the process of asset revaluations, which includes all infrastructure asset categories, land and buildings assets. It is not considered efficient to perform stocktakes outside the revaluation intervals, due to the significant effort and amount of data involved in the process.

It may be noted that the WA Local Government Manual is a guide and not a mandatory requirement for local governments to adopt.

8.7 IT GENERAL CONTROLS

Overall Outcome	The City has in place IT general controls, although some additional actions are required to resolve the outstanding OAG findings.

Audit obtained and reviewed security policies of the City of Joondalup. The ÏT security protocol provides guidance on various cyber-security topics to safeguard both the City and individuals from the misuse of the City's systems. The policy covers the following:
- Employee Responsibilities
- Non-compliance with the Security Protocol
- Granting / Revoking User Access
- Restrictions on Software Installations
- System Audit Logging and Monitoring
- Connection of Unauthorised Devices
- Wireless Access
- Account reviewing / monitoring
- Protection from Malware
- USB Devices and File Sharing Services.

Audit reviewed the remaining security documents – these policies specify how services and procedures are used, and maintain rules to ensure compliance:
- IT Remote Access Protocol
- Multi-Factor Authentication
- Online Services Usage Protocol
- Password Protocol.

Review of the Password Protocol noted that it details how to maintain and protect the availability, reliability, confidentiality, integrity and security of all networked systems and related data from risk or inappropriate use. The document provides guidelines on User Accounts and Passwords, Password Resets with the rules for passwords being:
- Minimum length of 8 characters
- There must be at least 1 capital letter
- There must be at least 1 non-alphanumeric character
- There must be at least 1 numeric character.

Audit reviewed the Information Technology Business Unit Plan 2022-2023. The Plan identifies priorities and key projects along with Actions and Programs for the business unit during 2022-2023 and into the future. The document identifies Corporate and Business Unit Performance Indicators, Risk Management/Register, Resources and Budget Requirements. All sections provide information and relevant data for tracking.

Audit reviewed the Business Continuity Plan, which identifies the objectives of the planning the process is to provide a cost-effective means of:
- Preventing or minimizing the impact of disruptive risk events
- Ensuring Business Units can respond to unavoidable disruptions and emergencies.
- Ensuring a plan for returning to normal business operations following a disruption.

The business impact assessment for the Information Technology component of the Plan is indicated to have been undertaken in October 2021.

Audit reviewed the IT Asset Management Plan and Replacement Protocol which was developed to provide IT with a process for the recording and management, as well as define

replacement schedules for different types of IT assets. Audit was advised that personal computers and servers are disposed of externally through specialist disposal/recycling services - which provide appropriate documentary evidence of the removal of data and physical hardware destruction. Minor equipment such as phones and tablets are disposed of through an ethical e-waste service. The replacement schedule for the devices are as follows:

- Mobile phones – Replaced on failure
- Tablets – Three years or failure
- Notebook PC – Three years
- Desktop PC – Four years
- Major Equipment (Servers, Switches etc.) – Four years or contract expiry
- MFC Printers – Five Years
- Other equipment – Replace on failure.

Audit reviewed the Data Backup Protocol noting that for on premise systems, data backup operates on a three-tiered approach:

1. Real time replication
2. On-site virtual tape
3. Off-site cloud storage.

The (frequency and method of) backups are referred to as the Grandfather-Father-Son (GFS) rotation and is performed on a daily, weekly, and monthly basis.

Audit reviewed the IT Incident Response and Disaster Recovery Plan which is built around utilising physical redundancy and technology resilience to:

1. Protect corporate data from loss or corruption
2. Minimize loss or damage to computer equipment
3. Maintain the provision of IT services for as long as practical.

The plan is separated into two sections; Technological measures: Redundancy and Resilience and Disaster Recovery Plan: Incident Response Scenarios.

Audit reviewed the Incident Management Plan which was developed to provide the framework for the IT incident management process and to educate users about their responsibilities. The document describes security incidents and weaknesses, lists incidents and weaknesses to report and describes the reporting procedure and the approach to manage the incidents.

Audit were informed the intrusion detection is a multi-layer setup with real time monitoring – the Checkpoint firewalls monitor for intrusions from the internet, Darktrace monitors internal network traffic, and Crowdstrike monitors all PCs and Servers, with Crowdstrike Falcon Complete providing 24/7 external security monitoring.

Audit reviewed the New User Request Form which is filled out for access to be given. The form includes data fields for user information (name, position, start date etc.), additional access information and approval details. Audit was to undertake an assessment of the new user process but were informed the User exit process is managed by HR and is separate from the IT department. Audit were informed the level of access given to a user depends on the role of the user. Roles are assigned to users upon request or when the user is initially entered into the system.

Audit obtained a list of systems and applications used by the City - which is sorted with the title, business owner, business admin, system support and technical support. Audit received the COJ Domain Visibility, which has a list of all registered websites under the COJ Domain.

The list is sorted into Jurisdiction (WA government), Organisation, Host, and Issues. In total there is 46 registered websites under the COJ Domain.

Audit received and reviewed the COJ campus design which is a map of the infrastructure in place at COJ. The file has the current setup and the proposed setup diagram. It shows the internet and WAN connected to the port through a Firewall. The port is then connected to the server farm through a 10GB connection and to four different switches through 1GB connection line. Audit reviewed various COJ network diagrams noting that there are two admin gateways (with personal firewalls), one for COJ and one for WOC. Both gateways then connect to various WAP and LAN's and have their own servers. The COJ WAN connects to various libraries, community centres and parks (CCTV). Audit received the list of servers which is sorted by:

- server name
- IP address
- End of life
- OS
- Patching regime
- Environment
- Notes
- Status
- BC level of importance.

Review of the City's server listing noted that there are 80 servers recorded, 78 are identified as active and two as obsolete - which have been removed from service but are retained in the listing for historical/reference reasons.

Review of the Risk Register for the Information Technology Business Unit noted nine (9) perceived risks have been identified to have an impact upon the business unit for which at least one Control or Treatment has been documented. At the time of the audit, it was indicated that the majority of the Control or Treatment documented were overdue for review, however, consultation with the Manager Information Technology indicated that each control or treatment has now been signed off as complete.

The Office of the Auditor General undertook an Information Systems Audit for the period 1 June 2021 to 30 June 2022. Extracts from this audit report were provided by the City identifying the findings impacting upon Information Technology. Review of the findings in consultation with the Manager Information Technology noted the status as follows:

1. Cyber Security Incident Management – Due for completion 31 January 2023 - **Outstanding** as IT is still determining what form the testing regime will take.
3. Network Device Management - Due for completion 31 March 2023
4. Contracted Employee Management - Due for completion August 2023
7. System Security – Actioned
8. Unsupported Systems - Due for completion 2025
9. Network Segregation - Due for completion 31 March 2023
10. Data Loss Prevention - Due for completion 31 December 2022 – Setup and Ready
11. Database Security - Due for completion 2025
12. Remote Access Management - Due for completion 1 July 2023
13. Network Access Management - Due for completion 31 December 2022 – Actioned
14. Network Logging and Monitoring - Due for completion 31 December 2022 – Actioned
15. Management of Technical Vulnerabilities - Due for completion 31 January 2023 – Actioned
17. Endpoint Protection - Due for completion 31 January 2023 – Actioned
18. IT Strategic Plan - Due for completion TBA in 2023

19. Policies and Frameworks for Information Systems - Due for completion 30 June 2023
21. Finance Application – User Access Management - Due for completion 31 March 2023
24. Change Management - Due for completion 31 March 2023.

Finding 6	The City still has several OAG findings due for completion in 2023 or beyond, including the finding for Cyber Security Incident Management (relating to testing of the City's Incident Response Protocol) which remains outstanding whilst IT determines what form the testing regime will take.
Risk Rating	Minor
Recommendation 6	Audit recommends that the City continue to progress with actioning the outstanding findings from the OAG's Information Systems Audit.

Management Comment – Recommendation 6

As advised during the review, the City has been progressing with actions on the OAG findings, wherever these are pertinent and appropriate, with regular updates provided to the Audit and Risk Committee. In relation to testing of the Incident Response Protocol, the Audit and Risk Committee was advised that this would be undertaken as part of the annual Penetration Testing scheduled to take place in the next quarter.

8.8 BANKING

Overall Outcome	The City has adequate processes over the banking function, although the City's overarching approach (including internal controls) for the administration of the banking function is not documented and some outstanding stale cheques appear within the bank reconciliation.

The City's revenue and expenditure relating to day-to-day operations are undertaken through the Municipal Account. Withdrawals from the Municipal Account primarily occur through EFT and Cheque through the accounts payable process via online banking. Deposits into the Municipal Account primarily occur through the collection of revenue via the following methods:

- Cash
- Cheque
- EFTPOS
- Agency - Australia Post
- BPay
- SecurePay.

A daily Cash Receipt Summary process is undertaken to receipt or journal the revenue into TechOne from the various sources and is allocated against the respective business unit. Review of daily takings during June 2022, indicated that the City receives minimal cash receipts which are collected from the respective venues belonging to the City by an external security firm (Prosegur) for banking.

A monthly bank reconciliation between the Finance One general ledger account (6111) and the Westpac bank statement is performed in a Microsoft Excel format per the Bank Reconciliation Procedure (last edited 6 July 20220. It has been indicated that the reconciliation is undertaken via Microsoft Excel as the TechOne Financials and TechOne Property and Rating are unable to interface for the bank reconciliation function. Review of the bank reconciliation for June 2022 confirmed that the amounts reflected within the reconciliation worksheet agree back to supporting documents and/or schedules.

Audit noted from the Outstanding Cheque List that there were 62 Cheques (totalling $10,984.27) with dates prior to 1 January 2020 which would indicate that they may be considered stale by the bank (as they are greater than 18 months old).

There is evidence of segregation of duties with the bank reconciliation prepared by the Finance Officer Administration and Control and approved by the Manager Financial Services.

Finding 7	The Unpresented Cheque list contains cheques that are more than 18 months old and may be considered stale.
Risk Rating	Minor
Recommendation 7	Audit recommends that the City cancel the stale cheques and contact the payee(s) for an alternative payment method.

Management Comment – Recommendation 7

The City has chosen not to cancel older cheques, due to the fee imposed by the bank for cancellation, which is irrespective of cheque value and not recoverable. Outstanding cheques are reviewed on a regular basis and, where unpresented for 2 years or more, are written off in the City's books. It may be noted that, despite the *Cheques Act 1986*

considering cheques older than 15 months to be stale, the City has advice from the bank that cheques will continue to be honoured subsequent to this period, if presented, unless circumstances warrant that the bank declines to honour any.

The City considers the current approach to be appropriate to address unpresented cheques in the City's books without incurring cancellation costs. The cheques have been issued to payees and the City does not presently consider it an efficient use of resources to cancel old cheques, incur non-recoverable costs, and again liaise with these payees given that contact details, etc may no longer be current.

The City will explore alternative arrangements with the banking service provider that stale cheques not be honoured if presented; however, this is not yet in place.

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8.9 CREDIT CARDS

Overall Outcome	The City has adequate processes for the administration of credit cards (including the *Use of Corporate Credit Cards Protocol)*, although minor issues were noted with regards to credit card records, form, and statement.

The City has documented a *Use of Corporate Credit Cards Protocol* to manage credit card purchases by authorised City employees. Per the *Use of Corporate Credit Cards Protocol*, Audit noted that credit cards can only be used for the purchasing of goods and services for the City's purposes and within the financial limits. Only the cardholders are able to use the credit cards. There are only four (4) credit cards are in use in the City as follows:

Position	Function	Limit	Reviewing and Approving Officer
CEO	CEO	$10,000	Director Corporate Services
Manager Financial Services	Corporate Travel	$12,000	Director Corporate Services
Purchasing Officer 1	Purchasing	$20,000	Manager Financial Services
Civic Function Officer	Civic	$5,000	Manager Communications and Stakeholder Relations

Purchasing through the credit card, requires each Business Unit Officer to complete the *Purchasing Card Request / Petty Cash Reimbursement* which must be approved by an authorised officer. All the payments must be attached with any relevant receipts or invoices.

Audit review of a sample of credit card transactions verified that all the purchases made were within credit card limit, expenses incurred are for the City's business purposes, cards statements have been reviewed and approved, statements were acquitted in a timely manner, and the purchase was not for an asset.
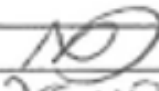
In addition, review of the August/September Credit Card Statement for Civic (which includes transaction "27/08/2021 – Civic - $379.50") noted that both the Cardholder and Manager/Supervisor signed/dated the declaration on the Statement on 20/09/2021, however, the last purchase transaction appearing on the statement was made on 22/09/2021 and the Card Statement was received on 05/10/2021. We have been advised that this was an error by both parties in reflecting their date of signature.

Review of completed *Purchasing Card Request / Petty Cash Reimbursement Form* noted that various sections within the form seem to be unclear to some officers when used for credit card purchases. There is a section "Purchasing Card Request" and a section "Claimant Details – Petty Cash". Within section the Claimant Details – Petty Cash, there is reference to the "Name of person making petty cash claim or *purchasing card request*" which is completed in some instances and not in others.

In addition, there was one instances where, for a Purchasing Card Request, the "Petty Cash Received By" section of the form was signed (transaction "28/10/2021 – Purchasing - $108.00") confusing the fact as to whether it is a purchase card transaction or petty cash transaction.

| Finding 8	The function of various sections on the *Purchasing Card Request / Petty Cash Reimbursement* appears to be unclear to users.
Risk Rating	Minor
Recommendation 8	Audit recommends that the City considers redesigning the existing Form or setting up two separate forms (1) for Purchasing Card Request and (2) for Petty Cash Reimbursement.

Management Comment – Recommendation 8

The City is already in the process of splitting this into two separate forms.

Management notes that the Council has recently adopted a *Corporate Credit Cards Policy* which governs the related protocol and processes pertaining to the issue and use of corporate credit cards.

8.10 BUDGETING AND REPORTING

Overall Outcome	The City maintains effective budgeting and reporting practices, despite minor issues noted with regards to not meeting some legislative requirements.

The budgeting and reporting requirements for the City are stipulated by the *Local Government Act 1995* (the Act) and Local Government (Financial Management) Regulations 1996 (Regulation). The City's planning methodology (which includes the legislative budgeting and reporting requirements) is outlined within the integrated planning framework below:
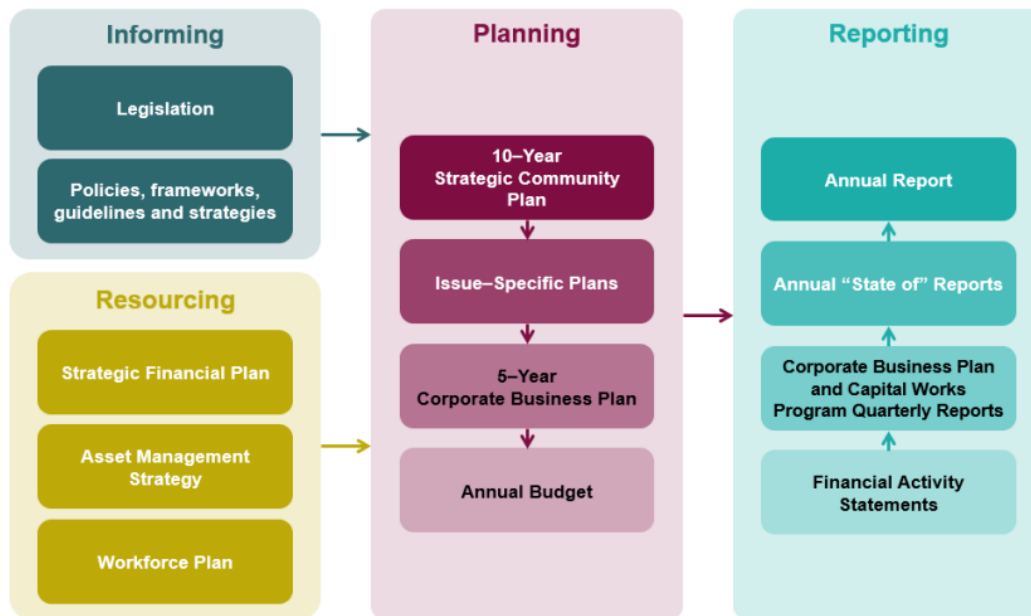
The Act specifies:

- Part 5 - an annual report is to be prepared for each financial year and details the key components to be contained within the annual report such as Mayor's report, CE''s report, overview of City's plan for future, financial report, payments to employees, auditor's report and entries made to the register of complaints (as well as timing for submission of the annual report to the auditor, the acceptance of the audit report, the acceptance of the annual report by an absolute majority of Council and publication of the annual report on the City's website)

- Part 6 - an annual budget of its municipal fund is to be prepared for the following financial year details the key components to be contained within the budget (as well as timing for annual budget to be adopted by an absolute majority of Council).

The Regulations specifies in Part 3 (Reg 22. - 27.) the form and content of the annual budget, including:
- an income statement
- a cashflow statement
- a rate setting statement (and other rates information)
- service charges proposed to be imposed
- fees and charges proposed to be imposed
- any discount or other incentive proposed to be granted for early payment, the proposed waiver or grant of a concession or the proposed writing off, of any amount of money
- interest charged for late payment of a rate or services charge
- etc.

The budget is also required to be reviewed by 31 March and adopted by Council by an absolute majority.

Part 4 (Reg 34.) specifies that a financial activity statement is required each month detailing:
- annual budget estimates
- budget estimates to the end of the month
- actual amounts of expenditure, revenue, and income to the end of the month
- material variances between comparable amounts
- net current assets at the end of the month
- explanation of composition of net current assets and each material variance (deemed to be the higher of either $50,000 or 5% of the appropriate base).

The statement of financial activity is to be presented at an ordinary meeting of Council within 2 months after the end of the month.

Part 4 (Reg 36.) specifies that an annual financial statement report is to include:
- Rate setting statement
- Trust fund information
- Reserve accounts information
- Rates information
- Service charges information
- Fees and charges information
- Discounts for early payment information
- Interest charges information
- Fees to council members information
- Trading undertakings information
- Major land transactions information
- Borrowings information
- Invested money information.

The annual financial report is to be signed by the City's CEO and submitted to the Departmental CEO within 30 days of the receipt by the City's CEO of the Auditors report.

Review of the Annual Report for 2020-2021 (as the 2021-2022 Annual Report was not available for review at the time of the audit) noted that the City had complied with the requirements contained within the Act and Regulations except for:

- the 2020-2021 Annual Financial Report is to be submitted to the Departmental CEO within 30 days of the receipt by the City's CEO of the auditor's report (which was dated 14 December 2021), however, it is indicated that the report was submitted to the Department on 2 March 2022 – 78 days after the Audit Report.

Review of the 2020-2021 Annual Report (Page 111) under Complaints Register indicated that there were no entries made in the Register of Complaints under Section 5.121 of the Act during the 2020/21 financial year. Review of the City's Register of Minor Breach Findings indicated that their complaints were raised against the Mayor for allegedly treating fellow Council members in an unprofessional manner during an Ordinary Council Meeting of 17 November 2020, however, these are under appeal and will not be reported within the Annual Report unless the complaints have been upheld following the appeals process.

The 2022-2023 Annual Budget is to include an estimate of the total revenue from fees or charges from each program, however, Note 9 – Fees and Charges Revenue is itemised by Type. Amendment on 17 June 2022 requires local governments to present operating

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expenses and revenue in 'nature or type' format in their annual budget, monthly statement of financial activity and annual financial report, from 1 July 2022, however, it is uncertain whether it also applies to the Notes. Under the *Local Government Grants Act 1978*, the Local Government Grants Commission will continue to require financial information to be provided by 'program'. Therefore, local governments should record relevant transactions by 'program' and 'nature or type' in their financial systems.

Review of the Ordinary Meeting of Council minutes noted that the Financial Activity Statement was submitted and noted by Council within 2 months, except for November 2021 which was submitted in February 2022 due to there being no January 2022 meeting.

Reporting Period	Council Meeting
July 21	September 21
August 21	October 21
September 21	November 21
October 21	December 21
November 21	February 22
December 21	February 22
January 22	March 22
February 22	April 22
March 22	May 22
April 22	June 22
May 22	July 22
June 22	August 22

In addition to the above requirements contained within the Act and Regulations, the City also produces other budgeting and reporting documentation throughout the year.

The Financial Review Taskforce (which meets on a monthly basis) has the role (among other things) to review the financial performance of the City through examining organisational income and expenditure to identify and propose expenditure savings and efficiencies and the efficient and effective use of income opportunities, as well as providing appropriate recommendations to the Strategic Financial Review Committee and Council on the economic allocation of assets held, realisation of best value for money and financial strategies for the future. Reports presented and discussed at the Taskforce meetings include:
- Non Compliance Report – which highlight purchase orders dated after the corresponding invoice(s)
- Employee Costs (excl Capital/Works) by Business Unit
- Materials & Contracts Costs (excl Capital/Works) by Business Unit
- Net Cash Operating Position by Business Unit and Account Category
- Infrastructure Services Capital Works Program.

To monitor ongoing organisation performance at a business unit level, each business unit prepares a Monthly Report that is to be uploaded to the Intranet by the 10th of every month which encompass items such as:
- Highlights for the month
- Challenges encountered
- Reports due
- Involvement in other initiatives
- Issues or focus for next month
- Benefits management

- Progress report – Projects and key activities (incorporating Actions, Milestones, Target Qtr.), Services
- Key Performance Indicators pertaining to respective BU
- Risk Assessment.

To enable financial information to be readily available throughout the organisation at any point in time, TechOne has a variety of reports that can be generated by various users throughout the City including:
- Budget Reports
- Capital Expenditure Reports
- Monthly Expenditure Reports.

For 2023-24, it is proposed that Business Unit Plans will be presented to the Executive Leadership Team in late January/early February 2023 in conjunction with the Business Unit Budgets. As a result, the Planning and Reporting Schedule for 2023-24 has been compiled covering timing for:
- Annual Budget
- Business Unit Plans
- Corporate Business Plan
- Business Unit Monthly Reports
- Corporate Business Plan Quarterly Reports
- Annual Report.

To facilitate the compilation of the Business Unit Plans, a new Template has been drafted for use in 2023-24.

Finding 9	The 2022-2023 Annual Budget - Note 9 – Fees and Charges Revenue is reflected by Type rather than by Program.
Risk Rating	Minor
Recommendation 9	Audit recommends that the City ensures that the 2023-2024 Annual Budget reflected the Fees and Charges Revenue by Program unless the amendment is assessed to also encompass the Notes.

Management Comment – Recommendation 9

As advised to the auditors during the review, when the Department of Local Government, Sport and Cultural Industries (DLGSC) promulgated amendments to regulations removing the requirement for an Income Statement by Program, it was not entirely clear at the time that regulatory requirements for Program reporting were still in place, including the requirement for Program reporting in the notes. The 2022-23 Annual Budget was in the last phase of development and the City consequently removed all Program reporting elements from the document as a consequence of the regulation amendments. When it subsequently became clear that the amendments were confined to the removal of the Income Statement only, it was ensured that relevant Program reporting notes were included in the current process of development of the 2023-24 Annual Budget. This will include Fees and Charges by Program.

Finding 10	The 2020-2021 Annual Financial Report was submitted to the Departmental CEO beyond the required 30 days from the receipt of the auditor's report by the City's CEO.

Risk Rating	Minor
Recommendation 10	Audit recommends that the City ensures that the 2022-2023 Annual Financial Report is submitted to the Department within 30 days of receiving the auditor's report.

Management Comment – Recommendation 10

As advised to the auditors during the review, the requirement has been complied with for the 2021-22 Annual Financial Report and the City expects to do so with subsequent Annual Financial Reports for 2022-23 and beyond.