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9 January 2002

APPENDIX 8

Mr D Smith
Chief Executive Officer
City of Joondalup
PO Box 21
JOONDALUP WA 6919

Dear Denis

REPORT ON FINANCIAL SYSTEMS

We have now completed our review of the City's financial systems which included:

- (a) A Financial Management Review; and
- (b) An overview of Council's financial position as at 31 October 2001.

It should be appreciated that the scope of our review was only to perform a financial management review and provide you with an overview of the financial position and performance of the City as at 31 October 2001.

It was not intended to perform a financial statement audit. Normal audit procedures that would allow us to form an opinion on the financial position and operating result of the City for the period ended 31 October 2001 were not applied.

A report on the findings of our review is summarised in this report.

FINANCIAL MANAGEMENT REVIEW

As outlined in our proposal to you dated 7 November 2001, the objective of the review was to test the financial management system and report to you on the appropriateness and effectiveness of the control environment within, as required by Financial Management Regulation 5(2)(c).

This task has now been completed and we have enclosed our separate report in respect of this.

OVERVIEW OF COUNCIL'S FINANCIAL POSITION

Following our discussions with yourself and Kevin Robinson on 3 December 2001 it was agreed to provide an overview of certain key areas as detailed in our letter to you dated 6 December 2001.

The results of our review are detailed below:

Cash and Investments

- Reconciliations of cash and investment balances were up to date;
- The City's investment policy is soundly formulated for an organisation of such size and coupled with the procedures in place, should help to ensure that investments are properly maintained and effectively managed;
- Based upon the investments held at 31 October 2001, staff appeared to be adhering to the requirements of the investment policy; and
- From limited testing performed, cash and investment balances as reported in the Financial Report for the period ending 31 October 2001 as presented to Council, appeared to be correct.

Receivables and Payables

- In the main, reconciliations were up to date and all balances were adequately supported; and
- The financial systems and controls evident appeared adequate to ensure that all significant debtors and liabilities of the City were captured and reflected accurately.

Fixed Assets and Depreciation

- Fixed asset balances appeared to be adequately controlled and regularly reconciled;
- Systems and procedures are in place to help ensure adequate control over assets of the City exists; and
- Council's depreciation policies are reasonable, accurately reflect the useful lives of assets and appear to be consistently applied.

Council's Budget Position

- Based upon review of the Financial Report for the period ending 31 October 2001 as presented to Council, the City's budget position appears sound.
- Actual to Budget variances were investigated via discussions with key staff who indicated differences were largely timing in nature.

Any permanent differences would be considered as part of the six month budget review process currently being undertaken.

Key Performance Indicators (KPI's)

The City participates in a benchmarking exercise with 14 other Councils via an industry initiative known as Blue Sky Strategic Profiling.

Review of information provided as at the end of October 2001 revealed the following:

Rate of Return on Investments

- The City's rate compared favourably to the group and approximates the median return of 4.8%. This outperformed the 90 day bank bill rate of 4.3%.
- Analysis of the three month average rate reflects the fall in interest rates whilst at the same time remaining fairly stable. The percentage change and fluctuation during that time compared very favourably to the other Councils who showed greater volatility.
- Also, when we remove those Councils that have access to investment opportunities via town planning schemes, the City has outperformed the majority.

Debt Collection Ratios

- The City's performance in this area in relation to the group is second to none;
- The City's stringent collection and follow up policy, particularly the rates model adopted for 2001/02, appears to be working;
- This policy has resulted, as at 31 October 2001, in the City achieving:
 - the lowest percentage of debt in the 60+ days category;
 - the best return in respect of arrangements and instalment options with only 17% of outstanding rates having no arrangement in respect of payment;
 - the lowest proportion of "recalcitrant" rate payers within the group; and
 - its best return ever with respect to percentage of total rates collected at the end of November in any given year of 74.5%.

Debt Ratios

Given the City has no existing levels of external debt, debt servicing is not an issue at present.

The KPI's examined reflect sound management practices.

They also provide an environment that will help ensure that Council has an optimum level of scarce resources available as it seeks to make informed decisions on the most efficient allocation of those resources.

Employee Entitlement Liabilities

This is the one area of possible concern highlighted by our review, albeit one of longer term consequence.

As at 31 October 2001, employee entitlement provisions amounted to \$4,205,115.

A review of leave schedules revealed that some individuals have accumulated well in excess of one year's leave entitlement. Large accumulations of annual leave should be discouraged as the eventual cost to the City increases with each wage increase given to employees.

A policy or procedure to help ensure the proper management of this issue should be developed and implemented.

General Access Security

This was another area of concern that was highlighted during our review.

Whilst it is appreciated that internal building security measures (e.g. access between floors and to certain areas) can actually hamper organisational efficiency, we believe that general building access security could be improved.

At the very least, a delineation should be made between the ground floor public enquiry area and what is considered to be non-public. Access to the non-public area should be restricted to employees and bona-fide visitors.

Bona-fide visitors should also have to register before passing through the barriers and be issued with visitor passes. We were very surprised that we were not issued with visitor passes upon our arrival on-site and also with the ease that we were able to move about within the building.

Security is an area of ever increasing importance particularly with events of recent times and is of growing concern to employees and members of the public alike.

We would also recommend that the City seeks further independent advice in this area and considers its options with respect to access security in particular.

CONCLUSION

Overall, the City's financial systems are considered to be appropriate and provide an effective financial control environment. This helps to ensure the integrity of the financial management and reporting systems is not compromised and accurately reflects the true financial position of Council at any given time.

We trust that this review is as you require and will help assist you analyse and improve the financial position and management practices of the City.

We would also like to take this opportunity to thank all staff for the assistance afforded to us during our review.

Should you have any queries regarding the above, or wish to discuss any matter further, please do not hesitate to contact us.

Yours faithfully
HAINES NORTON
CHARTERED ACCOUNTANTS

A handwritten signature in black ink, appearing to read 'David Tomasi', with a stylized flourish at the end.

DAVID TOMASI
PARTNER

City of Joondalup

FINANCIAL MANAGEMENT REVIEW

December 2001

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1. OBJECTIVE AND SCOPE

The objective of our review was to assist the Chief Executive Officer in discharging his responsibility to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the City as required by Local Government (Financial Management) Regulation ("FM Reg") 5(2)(c).

To this end we examined the following financial systems and procedures of Council:

- Receipts and Debtors;
- Fees and Charges;
- Fixed Assets;
- Minutes and Meetings;
- Acquisition and Disposal of Property;
- Rates;
- Purchases, Payments and Creditors;
- Payroll;
- Cash and Investment Procedures;
- Financial Reports;
- Budget;
- Registers (e.g. tender, financial interest, delegations);
- General Security and IT controls; and
- General Compliance Issues.

We did not necessarily examine compliance with provisions of the Act or Regulations which were not financial in nature. That is, Parts 2, 4, 7, 8 and 9 of the Act, some provisions of parts 3 and 5 as well as most regulations (apart from the Financial Management Regulations) that did not impact on the areas examined above.

Our review focused on the period from 1 July 2001 to the time of our on-site procedures in December 2001.

This report provides a summary of our findings in respect of each of the areas highlighted and we trust it will assist in the ongoing review and improvement of the City's financial management practices and procedures.

2. RECEIPTS AND DEBTORS

Detailed testing of a number of receipts, judgmentally selected, was performed. This included tracing to individual receipt detail, bank deposits and the general ledger to ensure the allocation posting was correctly performed.

The sundry debtors system, including the raising of invoices was reviewed with limited testing in respect to allocation/posting.

Overall, testing was completed satisfactorily. Controls and procedures are considered to be operating effectively and are appropriate for the City's current scope of operations.

MANAGEMENT RESPONSE: not applicable

3. FEES AND CHARGES

These were found to be imposed in accordance with legislative requirements.

MANAGEMENT RESPONSE: not applicable

4. FIXED ASSETS

Systems and procedures appear to be in place to help ensure adequate control over the fixed assets of the City exists.

MANAGEMENT RESPONSE: not applicable

5. MINUTES AND MEETINGS

Council meeting minutes were reviewed to ensure compliance with procedures and protocols.

Procedures and protocols surrounding meetings and quality of minutes were found to be of a satisfactory standard and in accordance with legislative requirements.

MANAGEMENT RESPONSE: not applicable

6. ACQUISITION AND DISPOSAL OF PROPERTY

From discussions and review, it appears that all statutory requirements were complied with in respect to property disposed of during the period under review.

MANAGEMENT RESPONSE: not applicable

7. RATES

The City's rating procedures were reviewed to ensure they were in compliance with requirements and that rates were being imposed correctly. This also included a review of collection procedures, the rate record, rate notices and valuation reconciliations.

In general, we were able to conclude that City's systems and procedures are operating effectively and are in accordance with requirements.

The following exceptions were noted and are highlighted:

- Currently there is no regular reconciliation of valuations as per the rate system to amendments/variations received from the Valuer General.

To help ensure the integrity of the rating system and that valuations are correctly recorded, we recommend a manual reconciliation and running balance total of valuations be maintained as changes from the Valuer General are notified.

MANAGEMENT RESPONSE:

Effective from January 2002, the Rates Officer responsible for transferring VGO amendments/variation schedules will print the respective journal from the Proclaim Rating System, pass the Journal and the VGO schedule to a nominated certifying officer. (ie Statutory Accountant) The Certifying Officer will counter sign that the system journal balances with the VGO schedule.

- In respect of the 2001/02 rating year, Council did not impose minimum payment amounts in accordance with Section 6.35(2) of the Act.

This occurred as Section 6.35(2) of the Act causes the minimum rate of \$801 charged on Commercial property to become the general rate. As this rate was only levied on 246 properties out of 8,707 minimum rated properties (2.8%) it does not comply with Section 6.35(3) which requires the local government to ensure the general minimum is imposed on not less than 50% of the number of separately rated properties.

Council cannot rely on Section 6.35(6)(c) of the Act, as it did not levy differential general rates. No distinction is able to be drawn between properties classed as residential or commercial properties.

To help ensure compliance with the Act, we recommend Council review its current system of rate imposition prior to adopting next year's budget.

MANAGEMENT RESPONSE:

Agreed. This will be reviewed prior to rates determination in 2002/03.

8. PURCHASES, PAYMENTS AND CREDITORS

A number of payments were judgmentally selected and testing performed to determine whether purchases were authorised and payments were properly supported, certified, authorised and allocated.

The purchase order system was also reviewed and tested as considered appropriate.

Controls surround purchases and creditors were considered appropriate.

However, the following matters were noted with respect to payments:

- Whilst the City utilises a payment control stamp it only addresses the issue of goods received. It does not address the issues of computations, calculations and passed for payment.

Payment control stamps are an important part of the payment system as they help to ensure all payments are accurate, for goods/services received and are appropriately authorised.

We recommend that, in order to further heighten controls surrounding the payment system and to help ensure compliance with FM Reg 11(2), a new stamp is implemented which addresses all of these issues. Once implemented, it should then be affixed to all supporting documents and be fully completed prior to any payment being made.

MANAGEMENT RESPONSE:

The City's payment control stamp complies with Local Government Financial Regulation 11 (2) as follows;

Only the signatures of officers authorised by the Director Resource Management are accepted, provided that the amount is less than their respective authorised limit.

The stamp clearly requires the authorised officer to annotate the amount authorised to be paid.

The City will, however purchase a new stamp to comply with the above.

- When reviewing documentation surrounding credit cards the following matters were noted:
 - Valid tax invoices were not always being obtained for purchases greater than \$50;
 - The cardholder did not always retain the customer copy of the charge slip/transaction receipt as required by 5.7.6 of the City's Corporate Procedures Manual; and
 - Authorising signatures were not always present on supporting documentation.

8. PURCHASES, PAYMENTS AND CREDITORS (continued)

To help ensure all Goods and Services Tax (GST) paid is claimable and all credit card purchases are bona fide and in accordance with Council policy, we recommend that procedures be implemented to help ensure:

- valid tax invoices are obtained on all purchases greater than \$50;
- cardholders retain the customer copy of charge slip/transaction receipt; and
- authorising signatures be obtained on all supporting statements and documentation.

With respect to the valid tax invoice issue on credit card purchases over \$50 we would like to take this opportunity to refer you to the following determination – GSTR 2000/26 which was issued by the Commissioner of Taxation and deals with the matter of Corporate Credit Card Statements.

From our preliminary review, it does not appear that the format of the statements received comply with the requirements of the determination. As such, the City should not be claiming Input Tax Credit's ("ITC's") for purchases via credit cards which are over \$50 and for which no tax invoice has been obtained.

We recommend, in the interests of maximising the City's ability to claim back ITC's, that this area be reviewed and if necessary, tax invoices be obtained for all credit card purchases over \$50. It may be necessary to amend the policy to emphasise this.

MANAGEMENT RESPONSE:

Only the Mayor, Chief Executive Officer, Director Resource Management, Director Infrastructure Management, Director Planning & Development and Executive Manager Strategic Planning have authority to be issued with Corporate Credit Cards, in accordance with Council Procedure 5.7.4.

In past cases where a tax invoice has not been obtained for a purchase over \$50.00 the City has not claimed input tax credits, however in future the City will ensure it obtains all the necessary tax invoice vouchers in order to claim any input tax credits due.

It is to be noted that the Director Resource Management uses his corporate credit card to purchase on behalf of the City various subscriptions and publications from over seas, as these do not attract GST there is no claim for an input tax credit.

9. PAYROLL

A number of individual employees were selected and testing performed to ensure:

- employee existed;
- correct rate of pay;
- deduction authorities on hand;
- hours worked authorised;
- allocation reasonable and correctly posted.

Overall, controls appeared to be appropriate and operating effectively. However, two matters arose as follows:

- Authorities for payroll deductions were not fully maintained in respect of each individual employee (e.g. Union, Social Club).

To help ensure all deduction from employees pays are bona-fide and authorised, we recommend Council updates its records to ensure authorities are maintained and are readily available in respect of all non-statutory payroll deductions.

MANAGEMENT RESPONSE:

The sampled employees selected whose authorities for payroll deductions are missing have been with the City of Joondalup/Wanneroo prior to 1987-1989. Prior to that period records were not maintained in an appropriate manner for employees. This has been confirmed with the Senior Records Officer who advised that she was unsure of the record keeping practices prior to this date. Since this period, the standard of record keeping has been upgraded to the existing high standard.

Currently any original authorisation received for any deduction whether it is statutory or non-statutory is placed on the employee's personal file at the end of each pay period.

- As also noted in Council's Compliance Audit Return in respect of the 2000 calendar year, not all employees who were required to be reviewed in accordance with Section 5.38 of the Act had been reviewed within the most recently completed 12 months of their term of employment.

To help ensure compliance with the Act, procedures should be implemented to ensure this occurs in the future.

SEE OVER FOR MANAGEMENT RESPONSE:

9. PAYROLL (continued)

MANAGEMENT RESPONSE:

The performance reviews are still being collected and updated for the 2000 calendar year. Current records indicate that only 26% of outstanding reviews are yet to be done compared to 35% in the first half of this year. Our records indicate that 55% of 2001 calendar year reviews have been completed to date.

Expected completion date for all 2000 calendar year reviews is by the end of February 2002. Reviews for 2001 calendar year are expected to be completed by the end of April 2002.

Procedures have already been put in place namely the PDR of each staff member is automatically forecasted each week on the Intranet. Each manager and staff member have the capacity to view the list and carry out the review process.

A report is prepared on a regular basis and if there are any outstanding reviews the responsible manager is notified.

The current practise requires escalation to the CEO if the Manager has not conducted the review within the timeframe indicated.

10. CASH AND INVESTMENT PROCEDURES

Reconciliations of cash and investment balances were reviewed and limited testing performed.

The reconciliations were up to date and Council's investment policy is soundly formulated for an organisation of such size. Coupled with investment procedures, it should help to ensure that investments are properly maintained and effectively managed.

11. FINANCIAL REPORTS

The following reports were reviewed for compliance with statutory requirements:

- Annual Report for the year ended 30 June 2001;
- Annual Financial Report (Financial Statements) for the year ended 30 June 2001;
- Monthly Financial reports for the period from 1 July 2001; and
- Quarterly financial reports for June and September 2001.

The following matters were noted:

- The monthly financial report for the month of July 2001 was not prepared and presented to Council as required by FM Reg 34;

MANAGEMENT RESPONSE:

Regulation 34(a) of the Local Government (Financial Management) Regulations 1996 states:

“ a local government is to prepare:

(a) monthly financial reports in such a form as the local government considers appropriate.”

Consequently it is deemed inappropriate to compile a monthly financial report for July as the City's budget has not at this time been adopted and the YTD figures would be meaningless without budget comparisons.

- The quarterly report for the quarter ended 30 June 2001 was not presented to Council within the two meeting time frame required by FM Reg 34(2);

MANAGEMENT RESPONSE:

Agreed. The Financial Reports for the 30th June 2001 were completed within the prescribed period, however as they had not been audited it was considered inappropriate to place it before Council until audited and the audit certificate was appended. This has been an established practise over the years.

11. FINANCIAL REPORTS (continued)

- Perusal of the audited financial statements for the year ended 30 June 2001 revealed the following issues of non-compliance with legislative and statutory requirements:
 - (a) The Statement of Financial Position and Notes to and Forming Part of the Financial Statements do not include changes brought about by the introduction of the new accounting standard *AAS36 – Statement of Financial Position*.

These changes relate mainly to classification and terminology (e.g. Cash Advances should be Cash Assets, Stock on Hand should be Inventories).

MANAGEMENT RESPONSE:

The 2000/01 financial statements used the terminology “cash advances” rather than “cash assets” and “stock on hand” rather than “inventories” as is prescribed by AAS36 .

The City agrees that the 2001/2002 financial statements will comply with AAS36 Statement of Financial Position and change to the new terminology.

- (b) Accounting Standard *AAS27 – Financial Reporting by Local Government*, paragraph 86(b) requires separate disclosure of grants by function/activity (programme).

This disclosure could not be found.

MANAGEMENT RESPONSE:

The City agrees with this finding and will ensure the 2001/02 financial statements will have separate disclosures for grants by function/activity (programme) as required by AAS27.

- (c) Paragraph 5.1(d) of the new accounting standard *AAS37 – Financial Report Presentation and Disclosures* requires, amongst other things, disclosure of certain information regarding full time equivalent (FTE) staff members.

This disclosure also, could not be found.

MANAGEMENT RESPONSE:

AAS37 paragraph 5.1 states the entity must disclose the following if not provided elsewhere in information published in the document that contains the financial report:-

- (c) either the number of employees at the reporting date or the average number of employees during the reporting period.

11. FINANCIAL REPORTS (continued)

The City agrees that the 2000/01 did not make this disclosure and that the 2001/02 financial statements will comply with the new accounting standard AAS37 and record disclosure of fulltime equivalent (FTE) staff members.

- (d) No accounting policy note as required by FM Reg 15 in respect of rounding was evident.

MANAGEMENT RESPONSE:

The City agrees that the 2000/01 Annual Report did not include a note in regard to rounding, however the City does round to the nearest dollar.

The City agrees that 2001/2002 financial statements will comply with the Local Government (Financial Management) Regulations section 15 and record a note relating to rounding.

- (e) Nature and Type classifications and disclosures as required by Schedule 1 Part 2 of the FM Regs are not being strictly applied adhered to.

For example:

- "Rates" should not include interest or administration changes. These are more correctly classified as "Interest" and "Fees and Charges".
- "Property Surveillance and Security Charge" is a "Service Charge" as defined by FM Reg 54.
- "Service Charge" per FM Reg 54 does not include rubbish and refuse charges. These are more correctly classified as "Fees and Charges".
- "Specified Area Rates" does not exist as a separate nature and type. These are more correctly classified as "Rates".

MANAGEMENT RESPONSE:

The City agrees that it did not include all nature and type classifications and disclosures in its 2000/01 Annual Report.

The City agrees that it will strictly adhere to Schedule 1 Part 2 FM Reg 54 and include all nature and type classifications and disclosures commencing in the 2001/2002 reporting period.

11. FINANCIAL REPORTS (continued)

- It was noted that the Annual Report published by the city included an “abridged” set of financial statements.

Care should be taken when adopting this approach to ensure that the audit report page referencing is not compromised.

The audit report contained in the annual report still referred to in the original pages per the financial statements being “3 to 41”. As the abridged version of the financial statements were used, this referencing was no longer relevant.

Your auditors should be able to provide an “abridged version” audit report for inclusion in your annual report and we recommend you consider this before adopting the annual report next year.

MANAGEMENT RESPONSE:

Agreed. The City will provide an “Abridged Version” of the audit report with the Annual Report commencing from the 2001/2002 reporting period.

- The annual report was also found to be deficient with respect to information required by the National Competition Policy and the Disability Services Act.

We recommend, to help ensure compliance with all applicable requirements, these matters be considered when next drafting the annual report.

MANAGEMENT RESPONSE:

NCP requires a Local government to include in its Annual Report a statement on the application and implementation of the structural reform principles to its activities and functions.

The clause 7 Statement on the application of NCP to Local Governments requires the following information to be included in the Annual Report:-

- a statement of the activities to which the structural reform principles have been applied in the reporting period;
- a statement of the activities to which the application of the structural reform principles was considered but not applied;
- a statement confirming that the principles in relation to structural reform have been complied with; and
- any other information considered relevant with regard to the implementation of the structural reform principles

The City will include this level of information in its Annual Report commencing from the 2001/2002 reporting period.

The City will also address the requirements of the Disability Services Act for the 2001/2002 reporting period.

12. BUDGET

The budget document and documents/minutes surrounding budget adoption were reviewed to ensure compliance with regulatory requirements.

Overall, the presentation of the document and compliance with statutory requirements was considered reasonable. Notwithstanding this, the following matters were noted:

- Similar issues regarding classifications of revenues and expenses by Nature and Type as detailed in Section 11 – Financial Reports.
- Council imposed three different specified area rates in respect of the 2001/02 budget year.

Whilst these rates were correctly imposed, not all of required disclosures of FM Reg 23(d) were met.

Specifically, FM Reg 23(d)(vii) requires disclosure of how the proceeds of the rate are to be applied, including an estimate of:-

- (i) the amount to be applied;
- (ii) the amount to be set aside in a reserve account; and
- (iii) the amount to be applied from the reserve account.

Consideration should be given to this provision when compiling next year's budget document.

MANAGEMENT RESPONSE:

In 2001/2002 the City levied 3 Specified Area Rates:

- Iluka
- Woodvale
- Harbour Rise

The Budget provided that all revenues raised from these rates plus revenues unexpended from the previous year (Iluka) would be fully expended. In future the City will provide greater detail in relation to these rates.

13. REGISTERS

Tender

Appears to be of a good standard and complies with the requirements of Local Government (Functions and General) Regulations.

Tenders were also called and dealt with as required.

Financial Interests

Perusal of the register revealed that returns in relation to ex-Councillors (Wight) and ex-employees (Delahaunty) had not been removed.

We take this opportunity to remind you of Section 5.88(3) of the Act which requires the CEO, as soon as is practicable after a person ceases to be a person required to lodge a return, to remove from the register all returns relating to that person. Section 5.88(4) continues on to state such returns, once removed, are to be kept for a period of at least 5 years.

Also, some staff (Delucia) appeared to only have submitted annual returns. There was no evidence of them having ever submitted a primary return.

We also take this opportunity to remind you of Section 5.75 of the Act with respect of submission of primary returns.

MANAGEMENT RESPONSE:

The returns from employees who have left the employ of the City have been removed and this procedure will continue to operate.

The City is aware of the requirements of section 5.75 of the Act. In this particular circumstance (Delucia) his commencement was around the time of the completion of Annual Returns and one was issued to him rather than a Primary.

The City will ensure that all new employees exercising delegated authority will complete a Primary Return in accordance with the Act.

14. GENERAL SECURITY AND IT CONTROLS

General Security

For an organisation as large as the City of Joondalup, we were somewhat surprised at the lack of general access security to the main administration building.

Whilst it is appreciated that internal building security (access between floors and to certain areas) can actually hamper organisational efficiency, we believe general building access security could be improved.

At the very least, a delineation should be made between the ground floor public enquiry area and what is considered to be “non-public”. Access to the “non-public” area should be restricted to employees and bona-fide visitors.

Bona-fide visitors should also be subject to a registration process and be issued with visitor passes.

Security is an area of ever increasing importance, particularly with the events of recent times and is of growing concern to employees and members of the public alike.

As we are not experts in matters concerning security, we would recommend the City seeks further independent advice in this area and consider its options, particularly with respect to general access security.

MANAGEMENT RESPONSE:

A recent review has been undertaken of the Administration Centre Security and Access Control. A number of proposals to improve the security procedures and manage the access systems are being evaluated for implementation.

IT Controls

A review of the general controls surrounding the IT environment was performed and were found to be satisfactory.

An ongoing issue which has also been raised by your external auditors in the past, is the lack of a Business Continuation Plan (BCP).

It is acknowledged that a BCP is currently being developed and it is due for completion and implementation in 2002.

The finalisation of the BCP is an important task as it helps to ensure the operations of Council are able to continue in the event of a disaster or significant event and we recommend priority be given to this task to ensure it is completed as scheduled.

MANAGEMENT RESPONSE:

Agreed. The City is currently developing its Business Continuity Plan.

15. CONCLUSION

Whilst a number of areas on individual items have been highlighted as requiring attention, we consider the overall effectiveness of the financial management system and procedures of Council are sound and appropriate for Council's current level operations.

Addressing the issues highlighted will also help to ensure that the system and procedures established are not compromised in the future.