



CITY OF VINCENT

MINUTES

Audit Committee

27 August 2019

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**MINUTES OF CITY OF VINCENT
AUDIT COMMITTEE
HELD AT THE COMMITTEE ROOM, ADMINISTRATION AND CIVIC CENTRE
244 VINCENT STREET, LEEDERVILLE
ON TUESDAY, 27 AUGUST 2019 AT 1PM**

PRESENT:	Mayor Emma Cole Cr Dan Loden Cr Susan Gontaszewski Cr Joshua Topelberg	Mayor Presiding Member South Ward South Ward
IN ATTENDANCE:	David MacLennan Vanisha Govender Meluka Bancroft Steven Tweedie Sharron Kent	Chief Executive Officer Executive Manager Financial Services Manager Governance, Property & Contracts Governance Advisor Council Support Officer

1 INTRODUCTION AND WELCOME

The Presiding Member, Dan Loden, declared the meeting open at 1pm and read the following Acknowledgement of Country statement:

“The City of Vincent would like to acknowledge the Traditional Owners of the land, the Whadjuk people of the Noongar nation and pay our respects to Elders past, present and emerging”.

2 APOLOGIES / MEMBERS ON APPROVED LEAVE OF ABSENCE

Apologies

Mr Conley Manifis	External Independent Member
Ms Elizabeth Hunt	External Independent Member

3 DECLARATIONS OF INTEREST

Nil

4 CONFIRMATION OF MINUTES

The Presiding Member, Cr Dan Loden, sought a mover to confirm that the Minutes of the Audit Committee held on 11 June 2019 be confirmed.

MOTION AND COMMITTEE DECISION

Moved: Cr Topelberg , Seconded: Cr Gontaszewski

That the Minutes of the Audit Committee held on 11 June 2019 be confirmed.

CARRIED UNANIMOUSLY (4-0)

For: Cr Loden, Mayor Cole, Cr Gontaszewski and Cr Topelberg

Against: Nil

(Mr Manifis and Ms Hunt were apologies for this meeting)

5 BUSINESS ARISING

5.1 OFFICE OF THE AUDITOR GENERAL'S PERFORMANCE AUDIT 2019 - FRAUD PREVENTION LOCAL GOVERNMENT - FINDINGS AND RECOMMENDATIONS

TRIM Ref: D19/42222

Authors: Sharron Kent, Council Support Officer
Meluka Bancroft, Manager Governance, Property and Contracts

Authoriser: David MacLennan, Chief Executive Officer

Attachments: 1. Western Australian Auditor General's report - 'Fraud prevention in local governments' - 15 August 2019
2. City's response to the Western Australian Auditor General's report - 'Fraud prevention in local government'

RECOMMENDATION:

That the Audit Committee recommends to Council that it:

1. RECEIVES the Western Australian Auditor General's Report 'Fraud prevention in local governments', which was tabled in Parliament on 15 August 2019, at Attachment 1; and
2. NOTES that the actions arising from the findings and recommendations in the report, as listed in the City's response to the report, at Attachment 2, will be included in the City's audit log until completion.

COMMITTEE DECISION ITEM 5.1

Moved: Cr Gontaszewski, Seconded: Cr Topelberg

That the recommendation be adopted.

Note: Cr Gontaszewski requested the following amendments (amendments underlined) to the actions arising from the findings and recommendations in the report (Attachment 2), and that administration include these in the Audit Log:

6. Document clear internal processes and systems to report fraud
The City will investigate systems and processes to report, review and manage any potential fraud, including anonymous reporting and the escalation of fraud reporting. The proposed implementation date is December 2020.
7. Collect, review and manage fraud information and identify trends and emerging issues
The fraud reporting system, as referred to in 6. above, should enable this data to be easily compiled. Governance will periodically review the data annually.

CARRIED UNANIMOUSLY (4-0)

For: Cr Loden, Mayor Cole, Cr Gontaszewski and Cr Topelberg

Against: Nil

(Mr Manifis and Ms Hunt were apologies for this meeting)

5.2 REVIEW OF THE CITY OF VINCENT AUDIT LOG**TRIM Ref:** D19/112680**Author:** Sharron Kent, Council Support Officer**Authoriser:** David MacLennan, Chief Executive Officer**Attachments:** 1. Audit Log**RECOMMENDATION:**

That the Audit Committee recommends to Council that it **NOTES** the status of the City's Audit Log at Attachment 1, with minor administrative amendments to timelines shown in red text.

COMMITTEE DECISION ITEM 5.2**Moved:** Cr Gontaszewski, **Seconded:** Cr Topelberg

That the recommendation be adopted.

CARRIED UNANIMOUSLY (4-0)**For:** Cr Loden, Mayor Cole, Cr Gontaszewski and Cr Topelberg**Against:** Nil

(Mr Manifis and Ms Hunt were apologies for this meeting)

AUDIT DETAILS	MANAGEMENT RESPONSE	ACTION	PROPOSED COMPLETION DATE
<p>IA: 2015/3.2.3 Internal Audit 2015 - Payroll</p> <p>Findings: Written payroll procedures were not formalised and based on an organisation wide standard template.</p> <p>Recommendation: Payroll procedures should be documented based on an organisation wide template. The procedures should be reviewed and updated as required. This will allow employees to clearly understand their roles and responsibilities within predefined limits and allow management to guide operations without constant management intervention, as well as help ensure staff involved give due consideration to appropriate risk management for processing the payroll.</p> <p>Risk Rating: Low</p>	<p>Responsible Officer: Executive Manager Human Resources</p> <p>The Payroll Officer currently maintains two sets of procedures – a lengthy step by step instruction and an abridged version.</p> <p>The MFS and the MGR will work with the rest of the organisation to develop and implement a standard process for the development, approval, appropriate storage/access and standard template for administration procedures.</p>	<p>Action Item 7.1</p> <p>The MFS and the MHR will work with the rest of the organisation to develop and implement a standard process for the development, approval, appropriate storage/access and standard template for administration procedures.</p> <p>November 2016 A standard template for Administration Procedures (D16/121564) has been developed along with standard guidelines for development, approval and storage (D16/121564). March 2017 An additional payroll support officer commenced on 7 March 2017 which has provided the capacity to address this item. Proposed new timeframe - August 2017. July 2017 Payroll procedure and working instructions are currently being drafted. On track for proposed completion date. September 2017 A payroll procedure and working instructions have been drafted and are being reviewed by the Manager HR. These will be reviewed by the CEO for approval along with all of the HR policies. November 2017 Payroll procedure working instructions have been drafted and are being reviewed by the Manager HR. Proposed new timeframe—31 December 2017. March 2018 Payroll procedure working instructions have been drafted and have been reviewed by the Manager HR. These are required to be transitioned into the standard format for all HR work instructions which is targeted to be completed by June 2018. July 2018 Payroll procedure working instructions are still to be finalised, and have been delayed due to HR team workload. This is the first priority to be completed post year end activities. Proposed new timeframe – September 2018. October 2018 Progress has been made towards finalisation of appropriate payroll procedures, however the continuing HR team workload has impacted on the priority of this task. Proposed new timeframe – December 2018. January 2019 Internal Audit Payroll will commence in February 2019 and include Beatty Park. Proposed new timeframe – March 2019. March 2019 Audit commences end March. New HR Manager will review all payroll processes. July 2019 Internal payroll audit completed.</p>	<p>Complete</p> <p>30/06/2019</p> <p>31/03/2019</p> <p>31/01/2019</p> <p>31/12/2018</p> <p>30/09/2018</p> <p>30/06/2018</p> <p>31/12/2017</p> <p>31/08/2017</p>
<p>IA: 2018/5.1b Purchasing, payments and credit cards - Purchases</p> <p>Findings: We obtained and reviewed all quotes where quotes were required. We ensured the quotes for the supply of goods or services were adequate and matched the purchase order raised and invoice paid.</p> <p>Recommendation: We noted nine items, the City did not obtain the required number of written quotes as specified in the purchasing policy.</p> <p>Failure to obtain the required number of quotes reduces the City's ability to obtain goods and services at the most competitive rate or best value for money.</p> <p>We recommend the City obtain the required number of quotes where required as well as adequately documenting where quotes have been obtained. We may also recommend the City implement a procedure which documents the decision making process in considering and selecting quotes.</p> <p>Risk Rating: Medium</p>	<p>Responsible Officer: Procurement Officer</p> <p>Agreed.</p>	<p>The City will incorporate into its purchasing procedures:</p> <ol style="list-style-type: none"> 1) A requirement to document the decision making process in considering and selecting quotes. 2) A process for identifying and escalating instances of non-compliance with respect to obtaining quotes. 3) Investigate systems changes to Authority to enable explanation /clarification of decision-making. <p>July 2018 1) Complete. 2) On track in line with completion timeframes. 3) Investigating system processes to prevent non-compliance occurring. September 2018 Will be undertaken by newly appointed Procurement Officer. Proposed new timeframe – November 2018. January 2019 1) Complete 2) Complete 3) System and training elements still to be progressed. Proposed new timeframe – March 2019. March 2019 Increasing awareness of requirements surrounding quotations, however system changes are not able to be undertaken due to other system priorities. Proposed new timeframe - August 2019-31 December 2019.</p>	<p>31/08/2019-31/12/2019</p> <p>31/03/2019</p> <p>30/11/2018</p> <p>31/08/2018</p>
<p>EA: 2018/5 External Audit 2018 - Fixed Asset Register</p> <p>Findings: As a result of the revaluation process a number of the non-current assets recorded in the City's asset register were identified as not actually being City assets. These have been corrected and documented accordingly in the Financial Report as at 30 June 2018.</p> <p>Recommendation: To help ensure non-current assets are fairly stated in the Financial Report and asset management practices are improved, in addition to reconciling the Fixed Asset Register to the General Ledger, management should perform periodic physical inspections of all material assets and related documents to ensure existence and ownership of assets.</p> <p>Risk Rating: -</p>	<p>Responsible Officer: Manager Finance</p> <p>A more robust asset management system is being investigated and implemented by Administration, with a due date of April 2018.</p>	<p>January 2019 A more robust asset management system is being investigated and implemented by Administration. Expected timeframe – April 2019. March 2019 Manager Finance is considering a process to reconcile assets as a system solution is not planned for the future. Proposed new timeframe - September 2019.</p>	<p>30/09/2019</p> <p>30/04/2019</p>

AUDIT DETAILS	MANAGEMENT RESPONSE	ACTION	PROPOSED COMPLETION DATE
<p>CA 2018/8 External Audit 2018 - Asset Sustainability Ratio</p> <p>Findings: The asset sustainability ratio is below target and is reflecting that the City is not investing sufficient monies in upgrade/new assets.</p> <p>Recommendation: -</p> <p>Risk Rating: -</p>	<p>Responsible Officer: Director Engineering</p> <p>Noted. Administration will be engaging a consultant to update the City's asset management plans. This work is expected to be completed by April 2019.</p>	<p><u>January 2019</u> Administration will be engaging a consultant to update the City's asset management plans. Proposed timeframe - April 2019.</p> <p><u>July 2019</u> Consultant presented the updated asset management plans to Council at the 30 July 2019 workshop.</p>	<p>Complete 30/06/2019 30/04/2019</p>
<p>Asbestos Review 2019 LGIS Asbestos Register Review</p> <p>Findings: The City is currently in breach of OSH legislation as they have not developed and implemented an Asbestos Management Plan (Plan).</p> <p>Register ACM - The document provided by the City to LGIS for review and feedback has identified some asbestos within the workplace however this is incomplete.</p> <p>Recommendation: In order for the City to meet legislative requirements a Plan should be developed to state the City's clear goals to provide a workplace free of ACM and any health hazards associated with asbestos. The Plan should be effectively implemented within the City and communicated to relevant parties.</p> <p>Currently the document is missing key components that must be included within a register. As a minimum an asbestos register should include the following:</p> <ul style="list-style-type: none"> - Dates - Location, type, condition, equipment - Material, access, testing - Risk assessment - Control measures - Maintenance <p>Risk Rating:</p>	<p>Responsible Officer: Director Engineering</p> <p>City to engage LGIS to update the City's asbestos register to comply with Occupational Safety and Health legislation.</p>	<p>Review of the City's asbestos register.</p> <p><u>March 2019</u> Review completed to comply with OSH legislation.</p> <p><u>April 2019</u> At its meeting on 9 April 2019, the Audit Committee requested Administration to reopen this item and provide further advice prior to October 2019 detailing how the City's asbestos management framework will meet legislative requirements.</p> <p><u>August 2019</u> Draft Framework to be presented to 19 November 2019 Audit Committee meeting.</p>	<p>30/09/2019 31/12/2019</p>
<p>EIA 2019/1 External Interim Audit 2019 - Interest on Trust Funds</p> <p>Findings: Interest earnings on trust fund moneys were not retained in trust or provided back to the entitled recipient on return of their moneys. Rather the City keeps these earnings as their own.</p> <p>The <i>Local Government Act 1995</i> requires "(w)her money or other property is held in the trust fund, the local government is to - in the case of money, pay it to the person entitled to it together with, if the money has been invested, any interest earned from that investment".</p> <p>It is noted that Management have identified this issue and, as of February 2019, have withdrawn all investments of trust funds and transferred these trust monies to non-interest bearing accounts.</p> <p>Recommendation: The City needs to account and manage trust funds and associated interest in accordance with the Act. The City should undertake the necessary steps to identify any obligations it has to return moneys that it has incorrectly retained from current and previous years. The City must also quantify the cumulative effect of the interest earned and may be required to perform a prior year adjustment to reduce income and cash balances accordingly.</p> <p>Risk Rating: Significant</p>	<p>Responsible Officer: Manager Finance</p>	<p><u>June 2019</u> The City is investigating if the trust ledger can be reconstructed to include all trust transactions for the past 10 years. This will include consultations with CIVICA. In the interim, the City shall transfer \$350,000 from the Municipal funds to trust to reflect the realistic probability the customers will request a refund of their interest.</p>	<p>31/10/2019</p>

AUDIT DETAILS	MANAGEMENT RESPONSE	ACTION	PROPOSED COMPLETION DATE
<p>EIA: 2019/2 Reconciliation of payroll to the general ledger not reviewed</p> <p>Finding: There was no evidence that payroll reconciliations were being independently reviewed. This finding was also noted in the June 2018 interim management report.</p> <p>Recommendation: The payroll reconciliations should be subject to supervisory review and sign-off.</p> <p>Risk Rating: Moderate</p>	<p>Responsible Officer: Coordinator Financial Services</p>	<p>June 2019: The Finance team reconciles the payroll suspense account however there is no formal sign-off process. Therefore, a formal sign-off process will be introduced hereon.</p>	<p>Complete 30/06/2019</p>
<p>EIA: 2019/3 Journals not independently reviewed</p> <p>Finding: No evidence of review of monthly journals processed by an independent officer.</p> <p>Recommendation: Although journals are reviewed when prepared and posted, we recommend that an independent senior officer perform a sample review of the monthly list of journals processed to ensure appropriate procedures have been followed when journals were initially prepared.</p> <p>Risk Rating: Moderate.</p>	<p>Responsible Officer: Manager Finance</p>	<p>June 2016: All journals are being reviewed when prepared and posted by a senior officer. Moreover, the system generated journals register reports will be reviewed and signed off as part of the month end process by an independent senior officer.</p>	<p>Complete 30/06/2019</p>
<p>EIA: 2019/4 External Interim Audit 2019 - Purchase order dated after invoice date</p> <p>Finding: During sample testing of payments made throughout the year, we identified an instance where the authorised purchase order was dated after the date of the corresponding supplier's invoice.</p> <p>Recommendation: Purchase orders should be approved for all applicable items prior to ordering.</p> <p>Risk Rating: Moderate</p>	<p>Responsible Officer: Procurement and Contracts Officer</p>	<p>June 2019: Mandatory online procurement training was provided to all staff at the start of April 2019 to reinforce the importance of following the correct procurement procedures including raising of purchase orders prior to the ordering of goods and/or services. The Procurement and Contracts team will conduct monthly audits on purchase orders raised after invoices being received commencing from May 2019 with the intent to remove requisitioning abilities from officers who repeatedly (i.e. three or more times) do not adhere to the correct process.</p>	<p>Complete 30/06/2019</p>
<p>EIA: 2019/5 Fixed Assets below \$5,000</p> <p>Finding: From 1 July 2018, Regulation 17A(5) of the Local Government (Financial Management) Regulations 1996 and risk of misstatement of fixed assets in the financial report.</p> <p>Recommendation: Management should review the asset register and ensure any assets acquired with a fair value under \$5,000 are excluded from the register.</p> <p>Risk Rating: Significant</p>	<p>Responsible Officer: Manager Finance</p>	<p>June 2019: Management is in the process of identifying and removing all assets below \$5,000 from the assets register.</p>	<p>30/09/2019</p>

5.3 PAYROLL INTERNAL AUDIT FINDINGS**TRIM Ref:** D19/112682**Authors:** Vanisha Govender, Manager Financial Services
Meluka Bancroft, Manager Governance, Property and Contracts**Authoriser:** David MacLennan, Chief Executive Officer**Attachments:** 1. Payroll internal audit review report**RECOMMENDATION:**

That the Audit Committee recommends to Council that it:

1. RECEIVES the Payroll internal audit review report at Attachment 1;
2. ENDORSES the management comments provided by Administration which are included in the Payroll internal audit review report; and
3. NOTES that the findings and actions required as identified in the report will be included in the City's audit log until such time as they are completed.

COMMITTEE DECISION ITEM 5.3**Moved:** Cr Topelberg , **Seconded:** Cr Gontaszewski

That the recommendation be adopted.

CARRIED UNANIMOUSLY (4-0)**For:** Cr Loden, Mayor Cole, Cr Gontaszewski and Cr Topelberg**Against:** Nil

(Mr Manifis and Ms Hunt were apologies for this meeting)



CITY OF VINCENT, WESTERN AUSTRALIA

**PAYROLL - INTERNAL AUDIT REVIEW
REPORT**

May 2019

Reference	MVDM : YK
Period of review	July 2018 to December 2018
Date of Interim report	8 May 2019

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Limitations

Our work was limited to that described in this report and was performed in accordance with International Standards for the Professional Practice of Internal Auditing from the Institute of Internal Auditors. It did not constitute an examination or a review in accordance with generally accepted auditing standards or assurance standards. Accordingly, we provide no opinion or other form of assurance with regard to our work or the information upon which our work was based. We did not audit or otherwise verify the information supplied to us in connection with this engagement, except to the extent specified in this report or our approved objectives and scope.

Our work was based only on the information made available up to the date of the review. Accordingly, changes in circumstances after this date or the availability of other information could affect our findings

This report is intended solely for the City of Vincent's Council and management team and internal use and benefit and may not be relied on by any other party. We accept no liability or responsibility to any other party who gains access to this report.

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1. Introduction

As outlined in our letter dated 8 May 2017, Butler Settineri has undertaken the review of the payroll processes, procedures and controls over changes to payroll files as per the scope agreed. The objective of this review is to perform an independent review of the operations and effectiveness of systems and practices, as a service to both management and the Council, to report factual findings from the procedures undertaken and to provide recommendations for improvements to systems and practices.

Testing of samples covering the period 1 July 2018 to 31 December 2018 was undertaken in some cases, in addition to discussing the current payroll procedures and practices in place with management and employees.

A copy of the approved objectives and scope of this review is attached at Appendix A.

2. Procedures

The purpose of the review is to review and test the current payroll processes, procedures and control, and provide recommendations on where these can be improved in order to provide the Council with more comfort over the integrity of the payroll process.

We obtained all relevant policy and procedure manuals in addition to interviewing Corporate Services staff and management and obtaining copies of supporting documents where relevant. We note that during the interview process, the Human Resource Manager was replaced and hence we spoke with new Human Resource Manager in addition to members of management which oversee the role.

The current procedures (including systems utilised and practices performed) were documented and testing of 30 employees performed.

3. Summary of Findings

Overall, our detailed findings indicate that the payroll processes and systems involve a significant amount of manual input, with lack of reliance on Information Technology. This has resulted in the occurrence of mistakes including hours worked and leave taken in the payroll process. While controls exist surrounding the process, it lacks efficiency and effectiveness as it involves a high volume of manual human input and duplication as well as visual examination by management.

4. Risk Assessment

In applying the Risk Management Policy of the City of Vincent to our findings, the following Risk Matrix has been prepared for management's consideration.

Finding	Likelihood	Consequence	Risk Rating	HR Comments
<i>General Finding 1</i> Missing employment contracts can result in disputes with employees surrounding entitlements and work hours.	Likely (4)	Major (4)	High (16)	Medium
<i>General Finding 2</i> Lack of increment letters can result in incorrect pay to employees.	Possible (3)	Moderate (3)	Medium (9)	Low
<i>General Finding 3</i> Incorrect timesheet completion (recording of hours worked etc.) can result in incorrect amounts being paid to employees.	Likely (4)	Major (4)	High (16)	Medium
<i>General Finding 4</i> Lack of evidence of review of the Collated Timesheet Data Spreadsheets for accuracy before processing into the Civica Authority payroll system can result in incorrect amounts being paid to employees.	Possible (3)	Moderate (3)	Medium (9)	Medium
<i>General Finding 5</i> Not having a salary sacrifice agreement and process in place can result in inconsistencies in implementation and incorrect salary sacrificing for employees which may lead to disputes in the future.	Likely (4)	Major (4)	High (16)	Medium

Finding	Likelihood	Consequence	Risk Rating	HR Comments
<p><i>General Finding 6</i> Leave recorded in the payroll system and paid to employees without supporting leave forms can result in incorrect amounts being paid to employees.</p>	Likely (4)	Major (4)	High (16)	High
<p><i>General Finding 7</i> Lack of resignation letters whereby resignations are not formally accepted and the termination details set out can result in incorrect amounts being paid to employees.</p>	Unlikely (2)	Moderate (3)	Medium (6)	Low
<p><i>General Finding 8</i> An increased dependence on the Payroll Officer increases the payroll continuity risk to the organisation.</p>	Likely (4)	Major (4)	High (16)	High
<p><i>Specific Finding 1</i> The Pay Edit Reports as produced by Civica Authority are incorrect and provide misleading information in that the total of the "Allowances" column represents gross pay at penalty rates.</p>	Almost Certain (5)	Major (4)	High (20)	High
<p><i>Specific Finding 2</i> The Pay Edit Reports as produced by Civica Authority are incorrect and provide misleading information in that the total of the "Contribution" column represents additional superannuation contributions made at 6% when employees salary sacrifice an additional 5%.</p>	Almost Certain (5)	Major (4)	High (20)	High

5. Detailed Findings

GENERAL FINDINGS

No.	Procedures Followed	Findings	Implications / Risks	Recommendation	Management comments
Payroll Processing					
1	Reviewed employment contracts to verify pay rates recorded in the Pre-posting Net Pay Report and ensure signature by both the employer and employee.	We noted that the employment contract of Anthony Telles of the Beatty Park Leisure Centre was missing.	Not having employment contracts may lead to disputes surrounding entitlements especially on termination of employment. The City may have to make unexpected additional payments for the period of employment.	We recommend that all signed employment contracts be stored electronically within TRIM and Civica Authority to avoid misplacement. Physical employment contracts should also be held by the Records Team in a locked cabinet in a locked room.	All signed employment contracts are currently stored on Content Manager as a standard process. Bi-monthly random checks by HR to ensure contracts are placed on Content Manager will take effect August 2019.
2	Reviewed employee files for evidence of authorised pay increments	We noted that whilst their were signed employment contracts on file for most employees tested, there were no increment letters on file in support of increments received by employees. We note a standard practice of a group e-mail sent to all employees advising of a standard award rate percentage increase.	Without a pay increment letter specific to each employee, there is a risk of inaccurate and unauthorised pay increments being processed.	We recommend that a pay increment letter specific to each employee is prepared and sent to each employee to clarify details of each new pay rate. We further recommend that the increment letter be placed in each employee file.	Annual increments are as per the Enterprise Agreements for the City. Any common law contractor who will receive an increment/salary increase will receive a salary increment letter starting September 2019.

<p>3</p>	<p>Reviewed employee timesheets to ensure that the hours worked agree to the hours as recorded in the Collated Timesheet Data Spreadsheet and Pay Edit Report and form the basis of the gross pay.</p>	<p>We noted a difference in hours worked per the timesheets for employee Zoe Templar's in respect of Pay Run 9 for fortnight ending 28 October 2018 to the hours recorded per the Collated Timesheet Data Spreadsheet and Pay Edit Report.</p> <p>On discussion with the Payroll Officer it was confirmed that the employee had completed the timesheet incorrectly and this was further confirmed with the employee who subsequently corrected the timesheet.</p> <p>We noted that while managers marked timesheets to check hours worked, there was no signature as evidence of a formal review.</p>	<p>Inaccurate timesheet completion has resulted in incorrect hours being captured to the payroll system and the incorrect resultant gross and net pay being paid to employees.</p> <p>No evidence of review of timesheets by management.</p>	<p>We recommend that management review timesheets in more detail and sign the timesheets as evidence of review to enhance the accuracy of timesheets captured.</p>	<p>Agree with recommendation.</p>
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4	Reviewed the Collated Timesheet Data Spreadsheet for evidence of review by management.	We noted that the Human Resource Manager reviews the Payroll Officer's Collated Timesheet Data Spreadsheet visually and that evidence of review is not present for all documents.	As the preparation of Collated Timesheet Data Spreadsheets is a manual process, there is increased risk of incorrect data being captured. Without evidence of review of the Collated Timesheet Data Spreadsheets, management have no way of ensuring captured data has been reviewed for accuracy before processing into the Civica Authority payroll system.	We recommend that Collated Timesheet Data Spreadsheets are signed by reviewers as evidence of review to provide management with comfort that captured data has been reviewed for accuracy before processing into the official payroll system. We further recommend that timesheet data is captured directly into the Civica Authority payroll system and not first having to be recorded in the Collated Timesheet Data Spreadsheets.	Will be resolved as part of the City of Vincent's ICT Strategy.
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Superannuation					
5	Reviewed the Pay Edit Listing for those employees who elected to salary sacrifice superannuation contributions and traced the authority for this practice to company policy and/or agreements.	A large number of employees salary sacrifice additional superannuation contributions. On discussion with the Payroll Officer we were informed that if an employee makes an additional voluntary contribution exceeding 5%, the Council will itself make an additional contribution of 6%. Thus the total superannuation contribution by the Council could total 15.5%. Management were unable to provide us with agreements between the City and its employees regarding this practice.	The absence of a salary sacrifice agreement between the organisation and the employee can result in incorrect salary sacrificing which may lead to disputes in the future.	We recommend that formal agreements be signed with employees setting out the salary sacrificing policy and arrangement in place with the employee. We further recommend that all amendments to the original arrangements as requested by employees be saved electronically in TRIM and Civica Authority and original agreements be updated for these amendments.	The City will review its current process and implement a new salary sacrificing form to ensure all staff requests to salary sacrifice are documented by December 2019.
Leave					
6	Examined leave forms in support of recorded leave for signature by supervisor as evidence of approval.	We noted that the leave forms for Lisa Flynn in Pay 6 and Brett Bissett in Pay 12 were not filed electronically within the TRIM and Civica Authority system and could not be located in employee files. We note that the City has recently moved to an "online" leave management system for all staff other than the Works Department and Beatty Park Leisure Centre.	Leave recorded in the payroll system and paid to employees is unsupported and the risk of inaccurate records of leave balances is increased which may lead to incorrect leave entitlements and payments in the future.	We recommend that all manual leave application forms, duly approved and authorised, be filed electronically within the TRIM and Civica Authority system. We further recommend that all staff be transitioned to the "online" leave management system to ensure a more accurate leave recording and	It is our intent by February 2020 that all staff transition to complete online leave via CIVICA.

				processing system.	
Terminations					
7	Reviewed resignation letters to ensure these are signed by every part-time and full-time employee that resigned.	We were unable to sight the resignation letter for the previous CEO, Leonard Kosova as this was not filed in the employee file or stored in the TRIM and Civica Authority system.	The lack of resignation letters whereby resignations are not formally accepted and termination details set out can lead to the incorrect termination payouts of the last pay for the outgoing employee.	<p>We recommend that a signed resignation letter duly approved by management be obtained and stored in the employee file and the TRIM and Civica Authority system.</p> <p>We further recommend that a "Termination Checklist" is prepared whereby the Human Resource Manager ensures that each procedure within the checklist is performed before the employee leaves.</p>	Current process is for HR to provide the Manager of the staff member the Termination Form which only requires the Supervisor/Manager to sign off. HR will update form for employee to sign by October 2019.

Back-up Process					
8	We reviewed the payroll processing system from initiation to reporting and payment	<p>We noted that the Payroll Officer is solely responsible for capturing data from the Collated Timesheet Data Spreadsheet to the Civica Authority payroll system, checking data entered and reviewing payroll reports generated as a basis for pay.</p> <p>Whilst the Human Resources Manager performs a review of Net Pay Listings and Net Pay Reports before the payroll is finalised, we note that there isn't a second Payroll Officer or Deputy Payroll Officer to assist or cover the Payroll Officer should she be on leave or ill and thus the specialised processing knowledge rests in one employee.</p>	An increased dependence on the Payroll Officer increases the risk to the organisation in that the continuity of the payroll function could be interrupted should the Payroll Officer not be available and could lead to delays in payroll payments to employees.	We recommend that the Beatty Park Payroll Officer be trained in certain payroll processing functionality within the Civica Authority system as a back up to the current Payroll Officer who is responsible for the payroll processing and reporting for the entire City workforce.	<p>Agree with recommendation.</p> <p>It is the intent of both payrolls to fall under one area by January 2020.</p>

SPECIFIC FINDINGS

No.	Issue	Findings	Implications / Risks	Recommendation	Management comments
1	Investigated the "Allowances" total per the Pay Edit Report by tracing to the Detailed Pay Edit Listing to ensure that allowances recorded are legitimate.	<p>We noted that gross pay paid at penalty rates to "outside workers" and certain Beatty Park Leisure Centre employees is incorrectly reflected under the "Allowances" column on the Pay Edit Report.</p> <p>We have verified the legitimacy of the gross pay at penalty rates paid to these staff members in line with their employment contract and award rates.</p>	The Pay Edit Reports as produced by Civica Authority are incorrect and provide misleading information. Management question the accuracy of the payroll process.	We recommend that gross pay paid at penalty rates be separated and included in the "Gross Pay" column instead of the "Allowances" column per the Pay Edit Report.	This report is HARD Coded by Civica and would require a new report to be developed and/or written.
2	Investigated the "Council" total per the Pay Edit Report by tracing to the Detailed Pay Edit Listing to ensure that council superannuation contributions recorded are accurate.	<p>A large number of employees salary sacrifice additional superannuation contributions.</p> <p>Audit noted that superannuation contributions reflected as "Council" on the Pay Edit Listing don't represent 9.5% of gross earnings but instead the additional 6% Council portion where applicable. This was due to an error in the set up of reporting fields on the Pay Edit Report.</p>	<p>The Pay Edit Reports as produced by Civica Authority are incorrect and provide misleading information regarding the superannuation contributions.</p> <p>Management question the accuracy of the payroll process.</p>	We recommend that the Pay Edit Reports be amended to correctly reflect the superannuation contributions split into "Council" and "Super" with "Super" being contributions based on the statutory 9.5% and "Council" contributions based on the additional 6% where employees have additionally salary sacrificed a minimum of 5%.	This report is HARD Coded by Civica and would require a new report to be developed and/or written.



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APPENDIX A



CITY OF VINCENT

Internal Audit Plan

Part 1 of Year 2 (2018)

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Approved Objectives and Scope

Based on the internal audit program above, we propose to perform the following procedures in Part 1 of Year 2.

Area	Proposed procedures	Assurance level
Part 1 Payroll processes, procedures and controls over changes to payroll files	<p><i>Payroll Processing</i></p> <p>We will select a random sample of 3 employees for each of 5 fortnightly pay runs since 1 July 2018 and perform the following:</p> <p><i>A. City of Vincent administration, works department and library workforce:</i></p> <ol style="list-style-type: none"> 1. Review the rates of pay as detailed in the Pre-Posting Net Pays Report as printed by the Payroll Officer to that recorded in the signed employment contract for all permanent and fulltime employees; 2. Review fortnightly timesheets for temporary and casual staff for evidence of signature by employee and supervisor of hours worked; 3. Review the Collated Timesheet Data Spreadsheet for evidence of timesheet data, job coding and review by management; 4. Review the Payroll Edit Listing as run by the Payroll Officer for evidence of a check against the Collated Timesheet Data Spreadsheet and review by management; 5. Review the Variance Report as run by the Payroll Officer for evidence of a check by the Manager Human Resources; 6. Review the Pre-Posting Net Pays Report as run by Payroll Officer for evidence of a check against the Payroll Edit Listing and review by management; 7. Review Net Pay Summary Report and ABA file (online banking upload data file) and all other related payroll reports for evidence of formal review by Manager Human Resources, Director of Corporate Services and Manager Financial Services prior to payroll being paid; 	Recommendations

	<p>8. Review online banking confirmation report for evidence of the names of the banking signatories who released the payment and agree these to the listed authorized bank signatories;</p> <p><i>B. Beatty Park Leisure Centre (BPLC) workforce:</i></p> <ol style="list-style-type: none"> 1. Review the rates of pay as detailed in the Pre-Posting Net Pays Report as printed by the BPLC Payroll Officer to that recorded in the signed employment contract for all permanent and fulltime employees; 2. Review fortnightly timesheets for temporary and casual staff for evidence of signature by employee and supervisor of hours worked; 3. Review the Collated Timesheet Data Spreadsheet for evidence of timesheet data, job coding and review by the BPLC Administration Manager; 4. Review the Payroll Edit Listing as printed by the BPLC Payroll Officer for evidence of a check against the Collated Timesheet Data Spreadsheet and review by the BPLC Administration Manager. <p><i>Superannuation</i></p> <ol style="list-style-type: none"> 1. Review the monthly Superannuation Contribution Report produced from the Authority system for evidence of preparation by the Payroll Officer and review by Manager Human Resources, Manager Financial Services and Director of Corporate Services before payment authorization; 2. Review the access rights to Super Choice platform to ensure only the Payroll Officer, Manager Human Resources, Manager Financial Services and Director of Corporate Services have access; 3. Review access to Super Choice platform by way of physical login to test if a unique username and password is required; 4. Review the log of Super Extract Forms (csv files) uploaded into the Super Choice platform to ensure an upload of data from the Authority system each month; 5. Review the monthly Correct Data Error Reports run from the Super Choice platform for changes to 	
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	<p>employee details;</p> <ol style="list-style-type: none"> 6. Review the monthly Superannuation Contribution Report for evidence of sign off by the Payroll Officer and review by the Manager Human Resources before submission to Super Choice via the platform; 7. Trace monthly Superannuation Contribution Report produced from the Authority system to payments made as recorded in the bank statements; 8. Test for long outstanding superannuation amounts not paid over to the Mercer clearing house in respect of former employees of the City of Perth and the Super Choice clearing house for the remaining employees. <p><i>Leave</i></p> <p>We will select a random sample of 3 employee leaves for each of 5 fortnightly pay runs since 1 July 2018 and perform the following:</p> <ol style="list-style-type: none"> 1. Review leave forms in support of leave entries as recorded in the fortnightly payroll reports for leave other than annual leave, special leave, sick leave and flexi leave; 2. Review leave forms for leave other than annual leave, special leave, sick leave and flexi leave for evidence of signature by the employee and immediate supervisor prior to being submitted to payroll for processing; 3. Review monthly log of annual leave, special leave, sick leave and flexi leave initiated by employees and supervisors within the Authority system; 4. Review the access rights to the online Authority leave portal by way of physical login to test if a unique username and password is required; 5. Review final pay run reports, including leave pay, for evidence of approval by the Manager Human Resources, Manager Financial Services and Director of Corporate Services. 	
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	<p><i>Terminating Employees</i></p> <p>We will select a random sample of 3 employees terminated since 1 July 2017 and perform the following:</p> <ol style="list-style-type: none"> 1. Review employee files of fulltime, part-time and temporary staff for Letter of Resignation signed by employee detailing completion date; 2. Review Termination Forms provided to Human Resources in support of resignations for evidence of signature by immediate Supervisor / Manager and specified termination date; 3. Review Termination Pay Calculation for evidence of preparation by Payroll Officer and review by Human Resources; 4. Review Authority system reports for evidence of review of termination pay and agreement to Termination Pay Calculation. 	
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6 GENERAL BUSINESS**6.1 EXPRESSIONS OF INTEREST ADVERTISEMENT FOR EXTERNAL MEMBERS OF THE AUDIT COMMITTEE**

Mayor Cole queried whether the City will be advertising for expressions of interest to fill the two external member vacancies on the Audit Committee, when the current terms expire on 18 October 2019.

The City will invite expressions of interest for the two external member positions in the Voice and Eastern Reporter local newspapers, on social media, in the City's e-newsletter and on the City's website, from early September.

6.2 REVIEW OF DELEGATION TO THE AUDIT COMMITTEE

Ms Bancroft advised the Committee that a report will be presented to the 17 September 2019 Ordinary Meeting of Council recommending the revocation of the delegation of a duty to the Audit Committee as adopted by Council at the 25 June 2019 Ordinary Meeting of Council. The delegation relates to the statutory requirement for the City's auditor to meet with Council annually.

7 NEXT MEETING

The next Audit Committee meeting is scheduled for 19 November 2019.

8 CLOSURE

The Presiding Member, Dan Loden, declared the meeting closed at 1.57pm.

These Minutes were confirmed by the Audit Committee as a true record and accurate of the Audit Committee meeting held on 27 August 2019.

Signed:  Cr Dan Loden

Dated this 26 day of November 2019