



CITY OF VINCENT

MINUTES

Audit Committee

3 May 2022

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**MINUTES OF CITY OF VINCENT
AUDIT COMMITTEE
HELD AS E-MEETING AND AT THE
ADMINISTRATION AND CIVIC CENTRE
244 VINCENT STREET, LEEDERVILLE
ON TUESDAY, 3 MAY 2022 AT 4.00PM**

PRESENT:	Mr Conley Manifis	Independent External Member (Chair) (electronically)
	Cr Ashley Wallace	South Ward
	Cr Susan Gontaszewski	South Ward (electronically)
	Cr Ron Alexander	North Ward
	Cr Ross Ioppolo	South Ward
	Mr Olaf Goy	Independent External Member
	Mr George Araj	Independent External Member
IN ATTENDANCE:	David MacLennan	Chief Executive Officer
	Virginia Miltrup	Executive Director Community and Business Services
	Peter Varris	Executive Manager Corporate Strategy and Governance / Chief Audit Executive
	Wendy Barnard	Council Liaison Officer

1 INTRODUCTION AND WELCOME

The Presiding Member, Conley Manifis, declared the meeting open at 4.33pm 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

Nil

3 DECLARATIONS OF INTEREST

Conley Manifis declared an impartiality interest. The extent of his interest is that his company is contracted by the Office of the Auditor General to complete external audits.

4 CONFIRMATION OF MINUTES

COMMITTEE DECISION

Moved: Cr Gontaszewski, Seconded: Mr Goy

That the minutes of the Audit Committee held on 16 March 2022 be confirmed.

CARRIED (7-0)

For: Mr Manifis, Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

Against: Nil

5 BUSINESS ARISING

5.1 LEASE OBLIGATIONS FOR LEEDERVILLE OVAL

Attachments: 1. Leederville Oval - Division of outgoings - Confidential
2. Plan of Premises and Oval - Leederville Oval

RECOMMENDATION:

That the Audit Committee recommends to Council that it NOTES the obligations of Lessor and Lessees at Leederville Oval.

COMMITTEE DECISION ITEM 5.1

Moved: Cr Gontaszewski, Seconded: Mr Goy

That the recommendation be adopted.

CARRIED (7-0)



For: Mr Manifis, Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

Against: Nil

The Chief Audit Executive committed to providing a further report containing the following information:

- Overall risk
- Compliance risk and observations
- Financial risks and how they are being managed
- Insurance risks and how they are being managed
- Is the City meeting the obligations of the lease (particularly in respect to infrastructure maintenance and renewal)



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		1:1300	

- Stadium facilities
- SFC Premises
- Common Areas
- Turf
- EPFC Premises
- Car Park area
- POS & Eastern toilet block
- Land
- Additional facilities
- Buildings (includes Club Premise)

5.2 OAG PERFORMANCE AUDIT AND OTHER AUDIT / BEST PRACTICE RECOMMENDATIONS

Attachments: Nil

RECOMMENDATION:

That the Audit Committee recommends to Council that it NOTES the following reports from the Officer of the Auditor General:

- **Audit Results Report – Annual 2020-2021 Financial Audits of State Government Entities 24 November 2021;**
- **Forensic Audit Report – Establishment Phase 8 December 2021;**
- **Viable Cycling in the Perth Area - 9 December 2021; and**
- **Information Systems Audit Report 2022- State Government Entities 31 March 2022.**

COMMITTEE DECISION ITEM 5.2

Moved: Cr Gontaszewski, Seconded: Mr Goy

That the recommendation be adopted.

CARRIED (7-0)

For: Mr Manifis, Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

Against: Nil

The Chief Executive Officer noted that there are examples of the City benchmarking itself against OAG reports where it relates to Local Governments.

5.3 REVIEW OF THE CITY'S AUDIT LOG

- Attachments:
1. Audit Log as at 3 May 2022
 2. Audit Log as at 3 May 2022 - Confidential

RECOMMENDATION:

That the Audit Committee recommends to Council that it:

1. NOTES the status of the City's Audit Log at Attachments 1 and 2, and
2. APPROVES proposed completion dates as specified at Attachments 1 and 2.

Moved: Cr Gontaszewski, Seconded: Cr Ioppolo

That the recommendation be adopted.

AMENDMENT

Moved: Cr Gontaszewski, Seconded: Mr Manifis

That Recommendation 2 be amended as follows:

2. APPROVES proposed completion dates as specified at Attachments 1 and 2 and **NOTES the change to the proposed completion date for the significant risk "EA2021/12(1) Asset Renewal Funding Ratio not presented" from 30 June 2022 to 31 August 2022.**

AMENDMENT CARRIED (7-0)

For: Mr Manifis, Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

Against: Nil

COMMITTEE DECISION ITEM 5.3

That the Audit Committee recommends to Council that it:

1. NOTES the status of the City's Audit Log at Attachments 1 and 2, and
2. APPROVES proposed completion dates as specified at Attachments 1 and 2 and **NOTES the change to the proposed completion date for the significant risk "EA2021/12(1) Asset Renewal Funding Ratio not presented" from 30 June 2022 to 31 August 2022.**

CARRIED (7-0)

For: Mr Manifis, Cr Wallace, Cr Gontaszewski, Cr Alexander, Cr Ioppolo, Mr Goy and Mr Araj

Against: Nil

AUDIT LOG



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Summary of open Confidential items (D21/61059)

Office of the Auditor General Information Systems Audit:

- | | |
|--------------------|----------|
| 1. EA:2020/10 (12) | Moderate |
| 2. EA:2020/10 (14) | Moderate |

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
Office of the Auditor General Information Systems Audit				
<p>EA:2020/10 (12) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			<p>April 2022 Complete</p>	<p>Complete</p>
EA:2020/10 (14) (CONFIDENTIAL) Office of the Auditor General Information Systems Audit				
<p>Risk Rating (prior to controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>			<p>April 2022 Complete</p>	<p>Complete</p>
<p>EA:2020/10 (19) Disaster Recovery Plan Office of the Auditor General Information Systems Audit – Disaster Recovery Plan</p>	<p>Administration will introduce managed backup and infrastructure services that include disaster recovery capability. Disaster recovery and information security continuity processes will then be formalised per the Information Security Program noted in OAG Finding 5. A formal plan will then be prepared for publication to staff and testing purposes.</p>	<p>August 2021</p>	<p>CoV update to OAG 2021: The City accepts that this finding was not completed during the audit period 2020/2021. Draft documents and procedures will be finalised and implemented into operations. The City has commissioned services to support a Business Impact Assessment review which will be used to guide sensible recovery objectives into the Disaster Recovery Plan.</p>	<p>February-2022</p>
<p>OAG Update 2021: Finding remains open as the City’s disaster recovery plan is in draft.</p>				
<p>Finding We found that the City does not have an ICT disaster recovery plan (DRP).</p>				
<p>Implication Without an adequate DRP and appropriate testing, there is an increased risk that key business functions and processes may not be restored in a timely manner after a disruption, affecting the operations of the City.</p>			<p>March 2022 Complex infrastructure project still in-progress. Servers now 75% migrated to a new environment providing backup restoration for Disaster Recovery functionality. Accompanying documentation will identify recovery time requirements in line with Business Impact Analysis (currently in draft) being finalised for review with business teams.</p>	<p>April 2022</p>
<p>Recommendation The City should develop and test its DRP to confirm that systems can be recovered in accordance with business expectations and key staff should be familiar with the plan and their specific roles and responsibilities in a disaster situation. The results of testing should be recorded, and the relevant actions taken to improve the plan where necessary.</p>			<p>April 2022 Complete</p>	<p>Complete</p>
<p>Risk Rating (prior to controls) Moderate</p>				
<p>Risk Rating (with current controls) Moderate</p>				
<p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>				

AUDIT LOG



Audit Details	Action	Approved Completion Date	Status	Proposed Completion Date
<p>EA:2020/10 (20) Business Continuity Plan – Testing Office of the Auditor General Information Systems Audit – Business Continuity Plan – Testing</p> <p>OAG Update 2021: The City is conducting business impact assessments across the business teams and is working towards defining a business continuity testing schedule.</p> <p>Finding We found that appropriate tests of the business continuity plan (BCP) have not been undertaken. Due to the lack of testing, the effectiveness of the plans and the City's ability to execute them is unknown.</p> <p>Implication Without appropriate testing of the BCP there is an increased risk that key business functions and processes may not operate as expected during a major incident. In addition, the key business functions may not be appropriately recover following a major incident. This is likely to impact business operations and the delivery of key services.</p> <p>Recommendation The City should undertake appropriate tests to verify the effectiveness of the BCP. These tests should also verify that key staff are familiar with the plans and their specific roles and responsibilities in a disaster situation. The results of these tests should be recorded and the relevant actions taken to improve the plan where necessary.</p> <p>Risk Rating (prior to controls) Moderate</p> <p>Risk Rating (with current controls) Moderate</p> <p>Management Response Responsible Officer: Executive Manager Information and Communication Technology</p>	<p>There has been 0% interruption to non-library/recreational facility services throughout COVID-19 disruptions in Perth. COVID-19 has been a major incident and required significant change to how business functions operated.</p> <p>City staff who continue to work remotely are effectively testing part of the City's business continuity systems on a daily basis. Through improvements to data backup and infrastructure recovery noted in OAG Finding 20, Administration will expand business continuity testing to include system and infrastructure incidents as part of a managed services agreement.</p>	<p>August 2021</p>	<p>CoV update to OAG 2021: The City accepts that this finding was not completed during the audit period 2020/2021. Draft documents and procedures will be finalised and implemented into operations. All server backups are now copied to an offsite data centre service which is also being configured to provide a Disaster Recovery environment for computing systems – this will be tested to mitigate this finding.</p> <p>March 2022 Business Continuity plan is being drafted with Business Impact Analysis (currently in draft) being finalised for review with business teams.</p> <p>April 2022 Complete</p>	<p>February-2021</p> <p>April 2022</p> <p>Complete</p>

AUDIT LOG



Stanton Reg 5 & 17 Review

EA:2020/12 (8) Manual Timesheet Stanton Reg 5 & 17 Review – Manual Timesheet

Finding

The City uses manual timesheets, predominately for those employees who work in the depot and recreational leisure centre.

Recommendation

The use of manual timesheets should be eliminated, it is worth noting that the City has already noted this as a finding within their own audit log.

Recommendation

Risk Rating (prior to controls)
Moderate

Risk Rating (with current controls)
Minor

Management Response

Responsible Officer:

Executive Manager Human Resources and Executive Manager Information and Communication Technology

The City requires a robust online time-sheeting system which is fit for purpose of a casual workforce (i.e. Beatty Park) that is flexible, easy to use and aligned to the relevant cost centres and employment.

Administration has determined that Civica's online time-sheeting module will be suitable for the City. The module however can only be implemented once work orders are activated as part of the Chart of Accounts project scheduled for completion in July 2021. Online time-sheeting will have a mobile option as well. The scoping of this project will be requested to commence in March next year with implementation in December 2021.

December 2021

Partially completed: Beatty Park are now partially using mobile application for rostering and time-sheeting. Further rollout subject to Beatty Park change management resourcing.

March-2022

In progress: for Depot staff with mobile application AND job costing requirements for time-sheeting, two solutions are being reviewed:

1. The City will help Civica test their new mobile time-sheeting (currently in development) in early 2022.
2. A CRM-based approach where jobs are electronically work-flowed to staff who can then update and complete the job using a mobile application.

March 2022

No further progress. Resources have not been available to progress the Beatty Park roll-out; Civica have not completed their new mobile time-sheet. CRM project in early phases.

Estimated August 2022

AUDIT LOG



Office of the Auditor General Audit for 2020/21

EA: 2021/12 (1) Asset Renewal Funding Ratio not presented Office of the Auditor General Audit for 2020/21

Finding

Regulation 10(3)(e) of the Local Government (Audit) Regulations 1996 requires the auditor to provide an opinion whether the asset renewal funding ratio is supported by verifiable information and reasonable assumptions.

The City has not reported the Asset Renewal Funding Ratio for 2021 in the annual financial report as required by regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as the long-term financial plan is currently under review.

Rating: Significant

Implication

The annual financial report does not comply with regulation 50(1)(c) of the *Local Government (Financial Management) Regulations 1996*.

Recommendation

The City should ensure that their long-term financial plan is kept updated, to allow the asset renewal funding ratio to be calculated based on verifiable information and reasonable assumptions for inclusion in the annual financial report.

Responsible person

Chief Executive Officer

In October 2021, Council approved the City of Vincent Asset Management Sustainability Strategy (AMSS). The AMSS will guide the management, spending and efficiency of the City's assets over the next decade, ensuring the best use of resources for current and future generations.

The AMSS will assist the City to calculate an asset renewal funding ratio that is supported by verifiable information and reasonable assumptions and informed by the Vincent community.

The AMSS involved extensive community consultation to ensure our asset management strategy met community expectations. We have also explained to the community the financial challenges we face in maintaining our ageing assets and sought feedback on different funding models. Community consultation commenced in March 2021 and concluded in September 2021. [Refer: [Asset Management & Sustainability Strategy | The City of Vincent](#)]

Management will now develop a Rating Strategy and Long-Term Financial Plan (LTFP) to reflect the outcomes of the AMSS. The LTFP will be considered by the community and Council during the budget setting process for FY23 and will be approved by Council no later than June 2022.

30 June 2022

AUDIT LOG



EA: 2021/12 (2) Inadequate security over EFT payment folder

Office of the Auditor General Audit for 2020/21

Finding

We observed that EFT payment files (.aba) were stored in a network folder accessible by 17 users, comprising of:

- 6 Finance and Corporate Service staff,
- 5 internal Information Systems staff, and
- 6 External IT Managed Services staff.

Rating: Significant

Implication

Excessive user access to the EFT payment data, may increase the risk of unauthorised modifications of payment information and fraudulent payments occurring undetected.

Recommendation

Management should review the security of its EFT payment data with a view to restrict access to EFT payment files to processing staff only.

Responsible person

Executive Manager Financial Services

Management has reviewed the access to this folder and have made the following changes resulting in a reduction of access from 17 to 5 users:

1. Access for 6 External IT Managed Services staff removed.
2. Access for 6 Finance & Corporate Service staff reviewed and reduced to 2.
3. Access for 5 Internal Information Systems staff reviewed and reduced to 3.

April 2022
Complete

Complete

AUDIT LOG



EA: 2021/12 (3) Certification of fortnightly pay authorisation list

Office of the Auditor General Audit for 2020/21

Finding

The City's internal 'payroll process' procedure outlines that the 'pay authorisation list' is required to be certified by directors and/or managers to verify employee fortnightly pay.

For the fortnightly pay ended 30 March 2021 (period 20), we identified 6 of 45 business unit 'pay authorisation lists' were not returned as certified by the business unit director or manager. We noted that no appropriate follow up procedures are implemented to manage unreturned certifications.

This review acts as a mitigating control to the overall review performed by the payroll team. The business unit director or manager generally has a greater understanding of their employees and work patterns, enabling them to detect and identify potential errors in the payroll data prior to payment.

Rating: Moderate

Implication

Without effective detective controls for payroll processing, there is a greater risk of payroll errors and invalid payments being made to employees.

Recommendation

Management should remind directors and managers of their fortnightly requirement to provide certification of payroll data, with timely follow up of errors performed. In addition, management should consider implementing a process to identify unreturned 'pay authorisation lists' and ensure these are followed up.

Responsible person

Executive Manager Human Resources

Human Resources/Payroll will implement the following:

1. A confirmation schedule will be developed within Payroll when the Payroll Authorisation Reports are required to be sent out to Management for review and approval.
2. A follow up email to Management and Executive Directors and CEO will be sent fortnightly for any outstanding Pay Authorisation Reports.
3. This process will be reviewed again after 3 months to assess its effectiveness.

31 March 2022

Process has been implemented.

Complete

Payroll Services will continue to follow up with Management with outstanding Pay Authorisation Reports.

AUDIT LOG



EA: 2021/12 (4) Conflict of Interest Forms
Office of the Auditor General Audit for 2020/21

Finding

The City's policy manual and purchasing principles require any actual or perceived conflicts of interest to be identified, disclosed and appropriately managed through all stages of the purchasing process.

We tested two public tenders and were unable to verify the conflict of interest position of two tender panel members. We were advised by management that the declaration process was followed, however the conflict of interest statements was not appropriately archived and could not be provided on request.

Rating: Moderate

Implication

The risk of any undeclared conflict of interest not being identified and addressed in a timely manner increases when conflicts of interest are not declared and documented by the tender panel members. Undeclared conflicts of interest may lead to unfavourable procurement outcomes for the City.

Recommendation

Management should ensure its purchasing principles are followed and declarations of conflicts of interest by all tender committee members are documented and appropriately retained.

Responsible person

Coordinator Procurements and Contracts

The City has updated its process of recording and archiving conflict of interest documentation to strengthen controls mitigating the risk of further occurrences. This includes the following:

- Distributing conflict of interest forms for request for tenders to the evaluation panel who will be required to sign and return the form prior to accessing tender submissions.
- The use of a procurement checklist listing all key procurement documents that are required to be saved.

**April 2022
 Complete**

Complete

AUDIT LOG



EA: 2021/12 (5) Assumptions used in provision for annual leave and long service leave
Office of the Auditor General Audit for 2020/21

Management will review all employee related provision assumptions on an annual basis to ensure all leave provision calculations are accurate and relevant.

30 June 2022

Finding

There was no supporting evidence for the assumptions used in the calculation of the leave liability reported in the financial report. This included salary inflation, employee on-costs (recruitment and training expenses), and omitted leave loading (the assumptions used were consistent with the prior year and do not present a material error).

Rating: Moderate

Implication

Applying inappropriate assumptions increases the risk of errors in determining annual leave and long service leave provisions. This may result in misstatements in the financial report.

Recommendation

Management should review the assumptions used in their employee related provisions calculations on a periodic basis to ensure these remain relevant, appropriate, verifiable and in accordance with the relevant accounting standards.

Responsible person

Executive Manager Financial Services

AUDIT LOG



EA: 2021/12 (6) Untimely write-off of fixed assets and reconciliation preparation

Office of the Auditor General Audit for 2020/21

Finding

We identified the untimely write-off of fixed assets comprising of park and reserve structures that were demolished in 2018-19. These assets remained on the fixed asset register and were written off (to a value of \$571k) in the current financial reporting period.

In addition, we identified that the fixed asset reconciliation for the period June 2021 was only prepared in September 2021.

Rating: Moderate

Implication

Delayed removal of fixed assets from the fixed asset register and recognition of write-offs in the incorrect accounting period could materially misstate the City's financial performance and financial statements. Untimely reconciliations also increase the risk of errors or omissions remaining undetected.

Recommendation

Management should review their current reporting practices around fixed assets to ensure all relevant transactions are captured, recorded and reconciled in the correct accounting period.

Responsible person:

Coordinator Financial Services

Management has amended the monthly capitalisation email to project managers to include demolitions and asset write offs.

In addition, Management will review the timing of the fixed asset reconciliation process to ensure balances are reconciled on a timely basis.

April 2022
Complete

Complete

AUDIT LOG



EA: 2021/12 (7) Bank Reconciliations
Office of the Auditor General Audit for 2020/21

Management will review the process and timing of the bank reconciliation to ensure balances are appropriately reconciled

**April 2022
 Complete**

Complete

Finding

Bank reconciliations are a key control used to manage the accuracy and completeness of cash resources.

We found the municipal bank account reconciliation for the period ended 30 June 2021 was not appropriately prepared and reviewed, which resulted in a \$2.17m understatement of cash and cash equivalents and trade payables. The correction journals were posted by management when this was identified through the audit process.

A similar finding was raised in 2019-20, with the 2019-20 management comment included below:

Finding 2020

During our audit, we identified that many of the key reconciliations are prepared prior to closing off the sub modules which led to variances between the reconciled balances within the trial balance used to prepare the financial statements.

In addition, we noted a number of inappropriate reconciling items included within the municipal bank account reconciliation at 30 June 2020, these were subsequently corrected during the audit process.

Rating: Moderate

Implication

Inappropriately prepared bank reconciliations increase the risk of errors, omissions or fraud remaining undetected.

Recommendation

Management should review the design of their bank reconciliation process to ensure balances are appropriately reconciled

Responsible person

Executive Manager Financial Services

6 GENERAL BUSINESS**7 NEXT MEETING**

29 June 2022 – Cr Gontaszewski advised that she will be on leave of absence for this meeting.

8 CLOSURE

There being no further business the meeting closed at 4.57pm.

These Minutes were confirmed at the [date] meeting of the Audit Committee as a true and accurate record of the Audit Committee meeting held on 3 May 2022

Signed: Mr Conley Manifis



Dated