

# Minutes

## Audit & Risk Committee Meeting 20 February 2023

### **ATTENTION**

This is a Committee which has only made recommendations to Council. No action should be taken on any recommendation contained in these Minutes. The Council resolution pertaining to an item will be made at the next Ordinary Meeting of Council following this meeting.

## Information

Audit & Risk Committee Meetings are run in accordance with the City of Nedlands Standing Orders Local Law. If you have any questions in relation to items on the agenda, procedural matters, public question time, addressing the Committee or attending meetings please contact the Executive Officer on 9273 3500 or [council@nedlands.wa.gov.au](mailto:council@nedlands.wa.gov.au)

## Public Question Time

Public question time at an Audit & Risk Committee Meeting is available for members of the public to ask a question about items on the agenda. Questions asked by members of the public are not to be accompanied by any statement reflecting adversely upon any Council Member, Committee Member or Employee.

Questions should be submitted as early as possible via the online form available on the City's website: [Public question time | City of Nedlands](#)

Questions may be taken on notice to allow adequate time to prepare a response and all answers will be published in the minutes of the meeting.

## Addresses by Members of the Public

Members of the public wishing to address the Audit & Risk Committee in relation to an item on the agenda must complete the online registration form available on the City's website: [Public Address Registration Form | City of Nedlands](#)

The Presiding Member will determine the order of speakers to address the Council and the number of speakers is to be limited to 2 in support and 2 against any particular item on a Special Council Meeting Agenda. The Public address session will be restricted to 15 minutes unless the Council, by resolution decides otherwise.

## Disclaimer

Members of the public who attend Committee meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. For example, by reference to the confirmed Minutes of Council meeting. Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

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## Table of Contents

1.	Declaration of Opening .....	4
2.	Present and Apologies and Leave of Absence (Previously Approved) .....	4
3.	Public Question Time .....	4
4.	Addresses by Members of the Public.....	4
5.	Disclosures of Financial Interest .....	5
6.	Disclosures of Interests Affecting Impartiality.....	5
7.	Declarations by Members That They Have Not Given Due Consideration to Papers .....	5
8.	Confirmation of Minutes .....	5
9.	Items for Discussion.....	6
9.1	ARC01.02.23 Update from Moore Australia.....	6
9.2	ARC02.02.23 Internal Audit - Financial Management Review .....	8
9.3	ARC03.02.23 Internal Audit - Regulation 17 Review .....	11
9.4	ARC04.02.23 Internal Audit - Asset Management Review.....	14
9.5	ARC05.02.23 OneCouncil Project Status Report.....	17
10.	In Camera .....	24
11.	Date of Next Meeting .....	24
12.	Declaration of Closure .....	24

## 1. Declaration of Opening

The Presiding Member declared the meeting open at 5:30pm and drew attention to the disclaimer below and advised the meeting was being livestreamed.

## 2. Present and Apologies and Leave of Absence (Previously Approved)

<b>Councillors</b>	Councillor L J McManus (Presiding Member) Councillor R Senathirajah Councillor A W Mangano Councillor O Combes	Coastal Districts Ward Melvista Ward Dalkeith Ward Hollywood Ward
<b>Staff</b>	Mr W R Parker Mr M R Cole Mr M K MacPherson Mrs N M Ceric Ms L J Kania Mr S Billingham	Chief Executive Officer Director Corporate Services Director Technical Services Executive Officer Coordinator Governance & Risk Manager Financial Services
<b>Invited Guests</b>	Ms M Shafizadeh Mr N Goosen	Director Governance & Risk Moore Australia Associate Director Moore Australia
<b>Public</b>	There were no members of the public present and two online.	
<b>Press</b>	Nil.	
<b>Leave of Absence (Previously Approved)</b>	Nil.	
<b>Apologies</b>	Mayor F E M Argyle	

## 3. Public Question Time

Public questions submitted were read at this point.

Nil.

## 4. Addresses by Members of the Public

Addresses by members of the public who had completed Public Address Registration Forms were made at this point.

Nil.

## 5. Disclosures of Financial Interest

The Presiding Member reminded Council Members and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter is discussed.

There were no disclosures of financial interest.

## 6. Disclosures of Interests Affecting Impartiality

The Presiding Member reminded Council Members and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

There were no disclosures affecting impartiality.

## 7. Declarations by Members That They Have Not Given Due Consideration to Papers

Nil.

## 8. Confirmation of Minutes

### 8.1 Audit & Risk Committee Meeting Minutes – 21 November 2022

Moved – Councillor Senathirajah  
Seconded – Councillor Combes

The Minutes of the Audit & Risk Committee Meeting 21 November 2022 be accepted as a true and correct record of that meeting.

**CARRIED UNANIMOUSLY 4/-**

## 9. Items for Discussion

### 9.1 ARC01.02.23 Update from Moore Australia

<b>Meeting &amp; Date</b>	Audit & Risk Committee – 20 February 2023
<b>Applicant</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Report Author</b>	Moore Australia
<b>Director</b>	Michael Cole – Director Corporate Services
<b>Attachments</b>	1. Moore Australia – Agenda Paper – 20 February 2023

Moved – Councillor Senathirajah  
Seconded – Councillor Combes

**That the Recommendation be adopted.**  
(Printed below for ease of reference)

**CARRIED UNANIMOUSLY 4/-**

#### **Committee Recommendation / Recommendation**

**That the Audit and Risk Committee received the agenda paper from Moore Australia.**

#### **Purpose**

This report is for Moore Australia to present its agenda paper to the Audit and Risk Committee.

#### **Voting Requirement**

Simple Majority

#### **Background**

Moore Australia has submitted an agenda paper for the discussion at the Committee meeting.

#### **Consultation**

Nil.

#### **Strategic Implications**

This item relates to the following elements from the City's Strategic Community Plan.

**Vision** Our city will be an environmentally sensitive, beautiful and inclusive place.

**Values** **High standard of services**  
We have local services delivered to a high standard that take the needs of our diverse community into account.

**Great Governance and Civic Leadership**  
We value our Council's quality decision-making, effective and innovative leadership, transparency, accountability, equity, integrity and wise stewardship of the community's assets and resources. We have an involved community and collaborate with others, valuing respectful debate and deliberation.

## **Budget/Financial Implications**

There are no financial implications to this report.

There may be budget implications when the report's recommendations are addressed in detail, where operational impacts are estimated and considered by the Administration, and then by Council at the appropriate time. There is no immediate budgetary implication to receiving this report.

## **Decision Implications**

Should the recommendations be endorsed, administration will implement actions as outlined in report.

## **Conclusion**

That Audit and Risk Committee receives the agenda paper from Moore Australia.

## **Further Information**

Nil.



AUDIT AND RISK COMMITTEE  
MEETING AGENDA PAPER

**CITY OF NEDLANDS  
INTERNAL AUDIT**

20 FEBRUARY 2023

ARC01.02.23 - Attachment One





## Internal Audit Report

### 1. Recommendation

That the Audit and Risk Committee:

- note the status of the City's Annual Internal Audit Plan for the years 30 June 2022 and 30 June 2023 (please refer to Section 2);
- note the final internal audit reports on (1) *Financial Management Review, including Purchasing Cards*, (2) *Regulation 17*, and (3) *Asset Management* performed by Moore Australia WA.
- note Internal Audit Log information, insights, trends, and recommendations to Management included in this report.

### 2. Annual Internal Audit Plan for the years ending 30 June 2022 and 30 June 2023

Moore Australia WA present to you the status of the Annual Internal Audit Plan for the years 30 June 2022 and 30 June 2023, including details of finalised, in progress and not started internal audit engagements.

#### A) Annual Internal Audit Plan – 30 June 2022

Table 1 below presents the status of the City's Annual Internal Audit Program for the year ended 30 June 2022, including details of finalised, not started, in progress and deferred internal audit engagements, if any.

No	Audit Topic	Financial Year	Status Update	Status
1	Conflict of Interest	2022	The revised draft report has been provided to Management on 7 November 2022 for Management Comments. The Final Report is expected to be tabled at the next Audit and Risk Committee meeting.	In Progress- Awaiting Management Comments
2	Financial Management Review – <a href="#">Appendix 2</a>	2022	Finalised and presented to this Audit and Risk Committee Meeting – 20 February 2023. <b>(Consolidated with the Purchasing Cards report)</b>	Completed and reported to this ARC meeting
3	Occupational Safety and Health	2022	Finalised and tabled at the May 2022 Audit and Risk Committee Meeting.	Completed and previously reported to ARC
4	Procurement and Planning (Implementation of the ERP System)	2022	Finalised and tabled at the February 2022 Audit and Risk Committee Meeting.	Completed and previously reported to ARC
5	Regulation 17 Review – <a href="#">Appendix 3</a>	2022	Finalised and presented to this Audit and Risk Committee Meeting – 20 February 2023.	Completed and reported to this ARC meeting
6	Risk Management	2022	Finalised and tabled at the August 2022 Audit and Risk Committee Meeting.	Completed and previously reported to ARC

Table 1: Status of FY2022 Internal Audit Engagements as at 8 February 2023

## 2. Annual Internal Audit Plan for the years ending 30 June 2022 and 30 June 2023 (continued)

### B) Annual Internal Audit Plan – 30 June 2023

Table 2 below presents the status of the City's Annual Internal Audit Plan for the year ending 30 June 2023, including details of finalised, not started, in progress and deferred internal audit engagements, if any.

No	Audit Topic	Financial Year	Status Update	Status
1	Effectiveness of the Audit and Risk Committee	2023	Finalised and tabled at the 3 November 2022 Audit and Risk Committee Meeting.	Completed and reported to previous ARC meeting
2	Workforce Management	2023	The draft report has been provided to Management on 29 September 2022 for Management Comments. The Final Report is expected to be tabled at the next Audit and Risk Committee meeting.	In Progress – Awaiting Management Comments
3	Asset Management – <a href="#">Appendix 4</a>	2023	Finalised and presented to this Audit and Risk Committee Meeting – 20 February 2023.	Completed and reported to this ARC
4	Planning Approvals	2023	The draft report was provided to Management on 17 November 2022 for Management Comment. The Final Report is expected to be tabled at the next Audit and Risk Committee meeting.	In Progress- Awaiting Managements Comments
5	Post Implementation Review of New Finance System	2023	The engagement has not commenced as it has been deferred by Management	Not started
6	Purchasing Cards <a href="#">Appendix 2</a> <b>(Consolidated to present findings within the FMR report)</b>	2023	Finalised and presented to this Audit and Risk Committee Meeting – 20 February 2023.	Completed and reported to this ARC

Table 2: Status of FY2023 Internal Audit Engagements as at 8 February 2023.

### 3. Status of Internal Audit Recommendations

Moore Australia WA have been the trusted internal auditors for the City since year ended 30 June 2019 to date and have tabled thirteen (13) internal audit reports at the Audit and Risk Committee, which includes the *Financial Management Review, including Purchasing Cards, Regulation 17, and Asset Management* Internal Audit Reports tabled at today's meeting.

Outlined below in Table 3 is the overall status of the internal audit recommendations as at 8 February 2023, compared to the previous meetings.

Status	30 May 2022 ARC Meeting		29 August 2022 ARC Meeting		21 November 2022 ARC Meeting		20 February 2023 ARC Meeting	
	Number	%	Number	%	Number	%	Number	%
Open recommendations in progress	47	100	46	98	31	30	24	17
Recommendations considered closed by Management but not validated by internal audit	-	-	-	-	6	6	11	7
Recommendations not started	-	-	-	-	44	42	74	51
Recommendations closed by the Audit and Risk Committee in the previous meeting	0	0	1	2	7	7	30	21
Recommendations validated by internal audit and recommended for closure at this Audit and Risk Committee	-	-	-	-	16	15	6	4
<b>Total number of recommendations</b>	<b>47</b>	<b>100%</b>	<b>47</b>	<b>100%</b>	<b>104</b>	<b>100%</b>	<b>145</b>	<b>100%</b>

**Table 3: Status of Internal Audit Recommendations**

The total number of open Internal Audit recommendations is 109 (includes 11 recommendations considered closed by Management) as per the Audit Log.

## 4. Audit Log

Moore Australia WA have been validating the implementation of the internal audit recommendations since our appointment. Within this report we have provided the following for your information:

- a) Status of the Audit Log: Internal Audit, OAG Performance Audit and OAG Management Letters
- b) Status of Open Recommendations
- c) Status of Recommendations Not Started
- d) Responsibility of Open Recommendations
- e) Status of Internal Audit Log Recommendations by Risk Rating
- f) Overdue Recommendations per Responsible Officer

### a) Status of the Audit Log

As of 8 February 2023, the City had 192 recommendations through audit activities. They are summarised as follows:

•

Recommendation Status – 8 February 2023						
Type of Audit	In Progress	Not Started	Considered Closed - Management	Completed	All	%
Internal Audit	24	74	11	36	145	76
OAG Performance Audit	6	11	0	5	22	12
OAG Financial Audit	10	0	0	15	25	13
<b>Total No of Recommendations</b>	<b>40</b>	<b>85</b>	<b>11</b>	<b>56</b>	<b>192</b>	<b>100</b>
<b>Percentage</b>	<b>21%</b>	<b>44%</b>	<b>6%</b>	<b>29%</b>	<b>100%</b>	

Table 4: Status of Recommendations per Audit Team

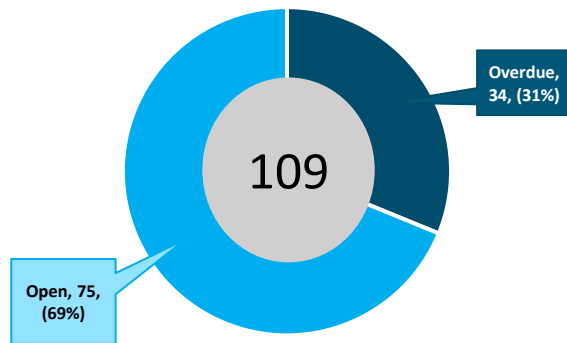
**b) Status of Open Recommendations**

**Figure 1.1, 1.2, 1.3** below provide the status of open recommendations by each audit team – Internal Audit, OAG Performance Audit, OAG Financial Audit.

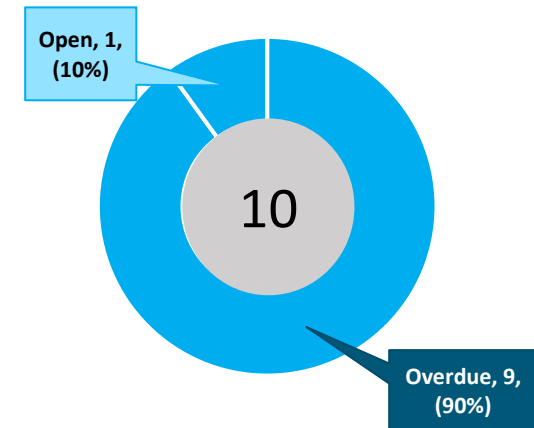
We note there are 88 (46%) from the 192 recommendations received by the City still open and of those, forty-eight (48) (55%) are overdue. This is a significant number.

We recommend revised due dates be determined by Management, in considering resources available, and overdue recommendations be closed out on a timely basis. We believe Executive should be monitoring and reporting these on a timely basis until improved rates of closure are achieved.

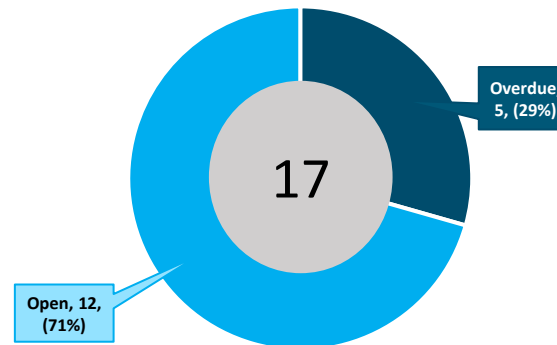
**Figure 1.1: Internal Audit Recommendations - Overdue**



**Figure 1.3: OAG Financial Audit Recommendations - Overdue**



**Figure 1.2: OAG Performance Audit Recommendations - Overdue**



### c) Status of Recommendations Not Started

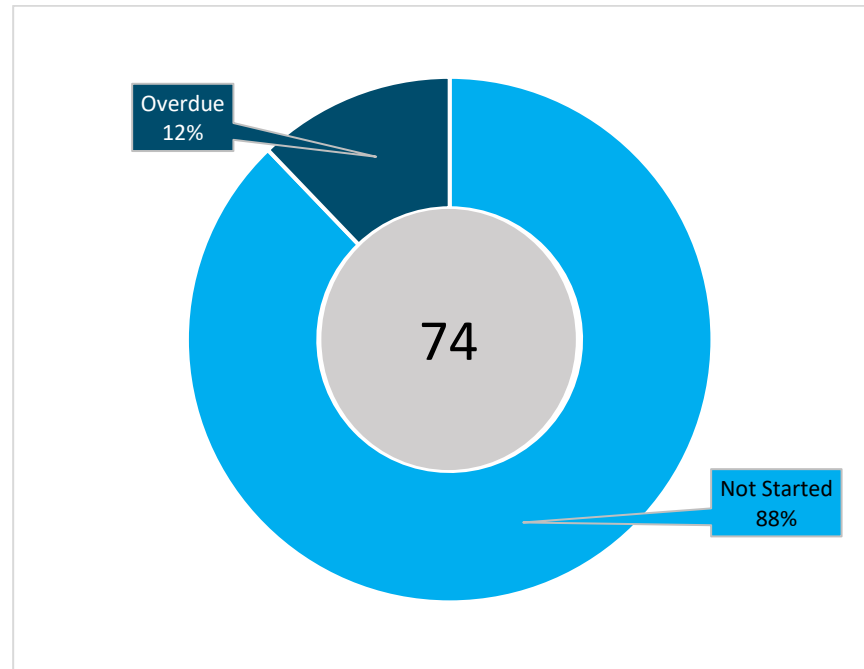
**Figure:2** below is a subset of the previous data, instead showing the status of recommendations not yet started.

Only the Internal Audit Log contains entries that are not yet started.

We note that from the seventy-four (74) recommendations that have not yet been started, nine (9) (12%) recommendations surpassed their due date.

From the OAG Performance Audit, eleven (11) recommendations have not been started.

**Figure 2: Internal Audit Recommendations – Status of Not Started**



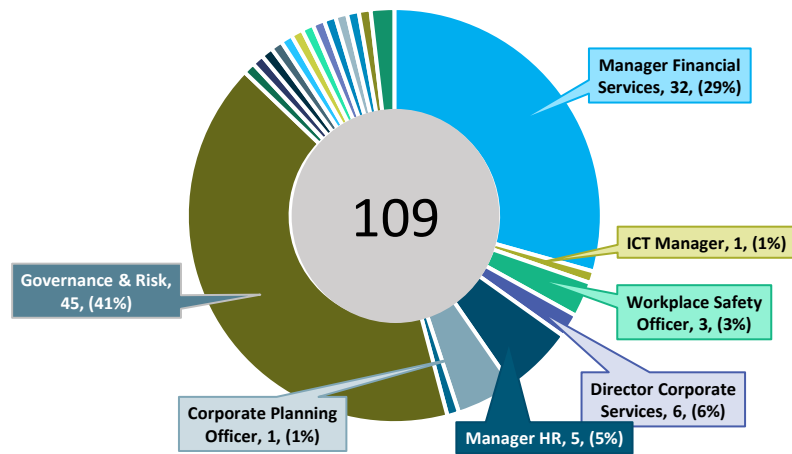
**d) Responsibility for Open Recommendations**

Figure 3.1 below provides a breakdown of open recommendations per responsible officer.

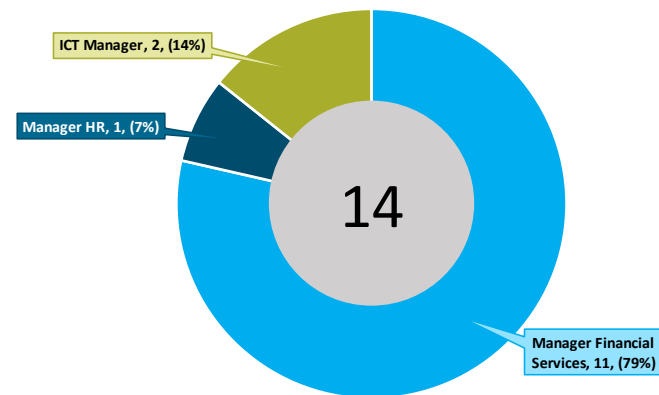
We note:

- Governance & Risk has responsibility for forty-five (45) (41%) of the open recommendations, followed by the Manager Financial Services with thirty-two (32) (29%), followed by the Director of Corporate Services six (6) (6%) and the rest with less than six (6) open recommendations per area.

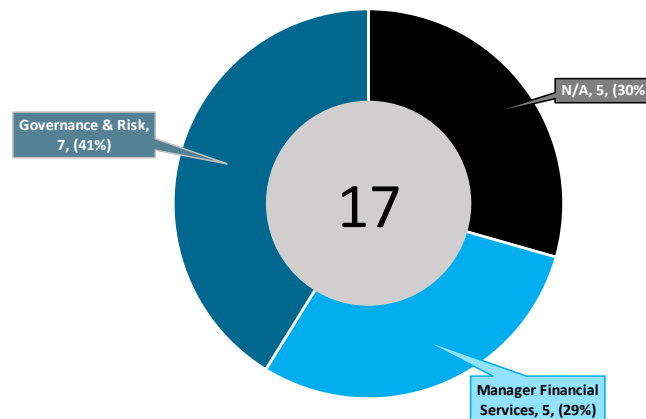
**Figure 3.1: Open IA Recommendations per Responsible Officer**



**Figure 3.3: Open OAG Financial Audit Recommendations per Responsible Officer**



**Figure 3.2: Open OAG Performance Audit Recommendations per Responsible Officer**



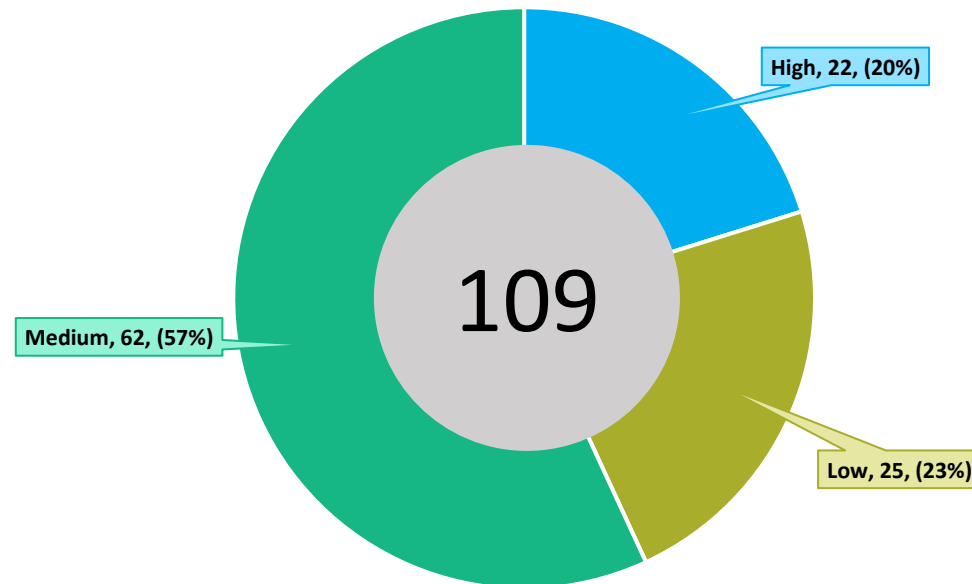
#### e) Status of Internal Audit Log Recommendations by Risk Rating

Figure 4 below provides a breakdown of open **internal audit** recommendations per Risk Rating. Moore Australia use our own Risk Rating Scale which is provided in **Appendix 1** for ease of access.

We note the majority of open recommendations, sixty-two (62) (57%), have a Medium-Risk Rating, followed by twenty-two (22) (20%) with a High-Risk Rating and twenty-five (25) (23%) with the recommendation being rated as Low.

We recommend that significant effort should be given to the High-Risk rated recommendations and to close these out as a matter of priority, followed by the Medium Risk rated and Low Risk rated Items.

Figure 4: Open Internal Audit Recommendations by Risk Rating



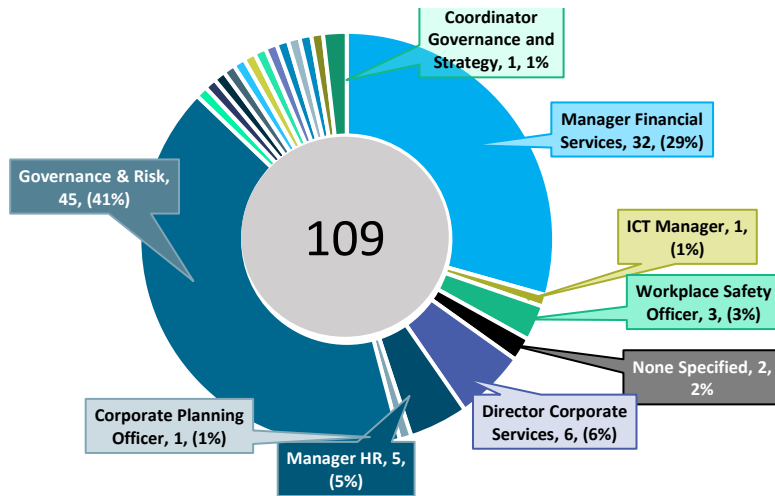


**f) Overdue Recommendations per Responsible Officer**

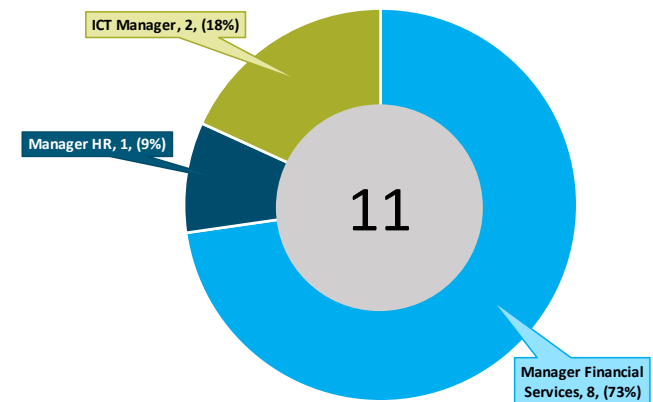
Figure 5.1, 5.2 and 5.3 below provides a breakdown of overdue recommendations per Responsible Officer per Audit Team recommendations. This graph is a subset of open recommendations which are overdue from **Graph 1.1, 1.2, and 1.3**.

We recommend that resources be allocated to the relevant areas to close out the overdue recommendations on a timely basis.

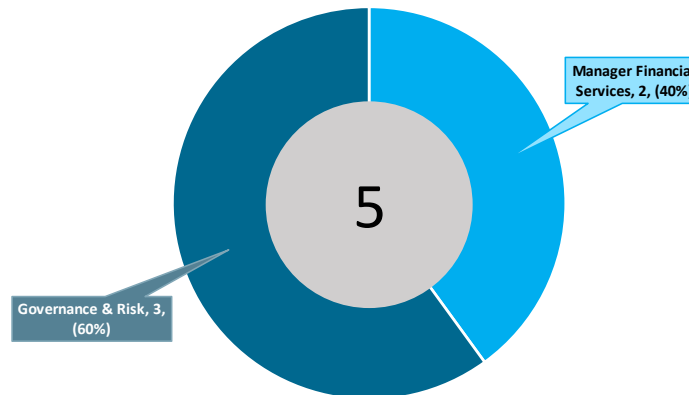
**Figure 5.1: Overdue IA Recommendations per Responsible Officer**



**Figure 5.2: Overdue OAG Financial Audit Recommendations per Responsible Officer**



**Figure 5.3: Overdue OAG Performance Audit Recommendations per Responsible Officer**



## 5. Internal Audit Insight 2019 to 2023

### a) Number of Tabled Reports

Moore Australia WA have been the trusted internal auditors for the City since the year ended 30 June 2019 to date and have tabled thirteen (13) internal audit reports at the Audit and Risk Committee as follows:

	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	Total
Number of Finalised Reports	2	1	3	5	2	13
Number of audits 'In Progress', 'Deferred Reports' or Not Started	-	-	-	1	4	5
<b>Total</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>6</b>	<b>18</b>

**Table 5: Internal Audit Reports Per year**

## 5. Internal Audit Insight 2019 to 2023 (cont.)

### b) Review of Nature of the Internal Audit Findings

Moore Australia WA have reviewed the nature of the internal audit findings in our thirteen (13) tabled reports. We categorised the nature of the findings into four (4) themes which include **Governance**, **Information Systems**, **People** and **Process**. The categories of themes have been defined in Figure 1 below.

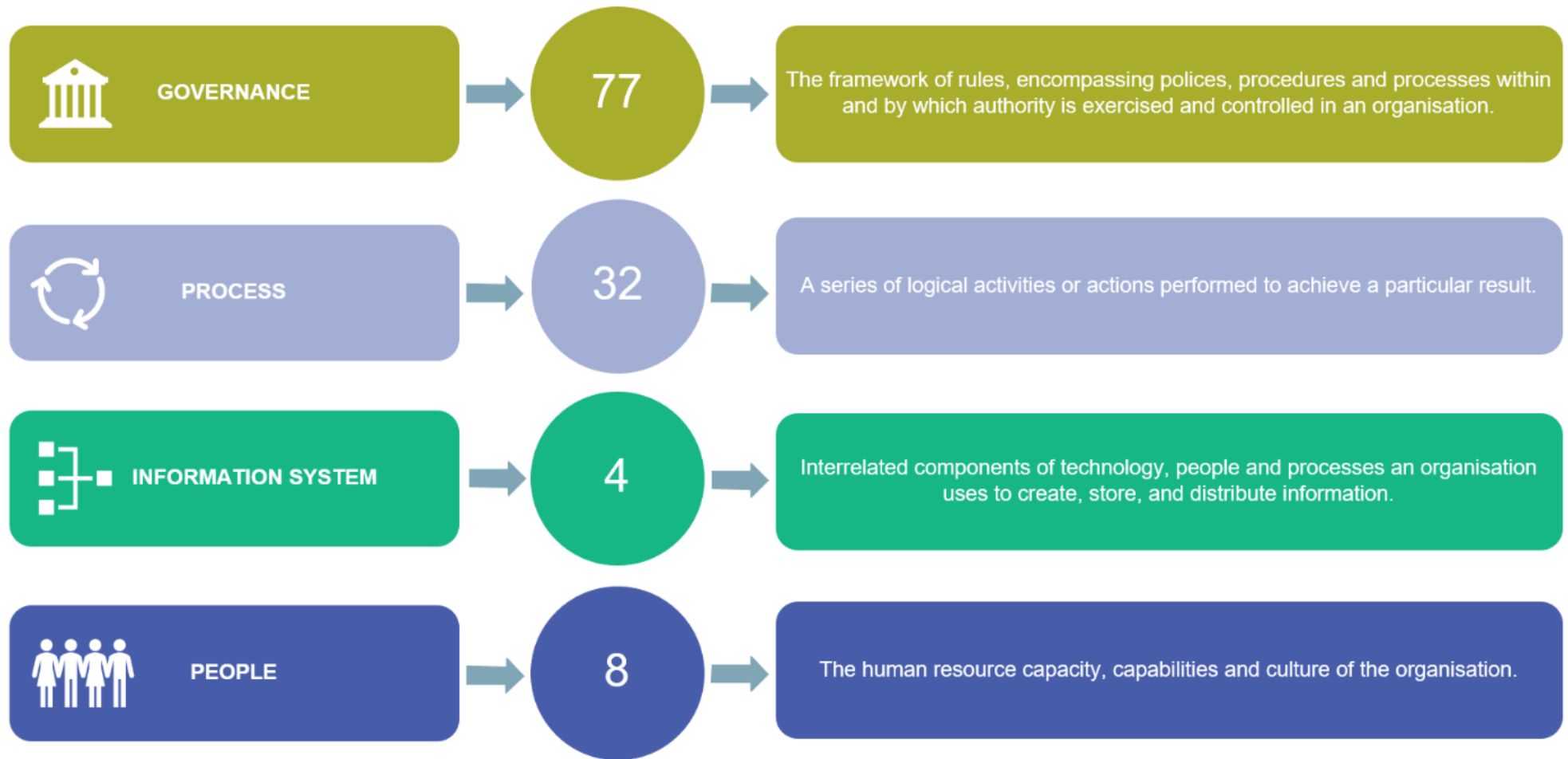


Figure 6: Themes from the Internal Audit Engagements – Governance, Information System, Process and People

## 5. Internal Audit Insight 2019 to 2023 (cont.)

### Insight

Table 6 summarises the nature of internal audit findings from the tabled audits for the year ended 30 June 2019 to the year ending 30 June 2023.

We have observed the following:

- The majority of findings (59%) overall within the thirteen (13) tabled reports fall within the **Governance** Theme, with the next closest theme is **Process**, with (30%) of findings falling into this category and Less than 12% fall relatively evenly within the other two (2) themes.
- There is no consistency within the 2019, 2020, 2021, 2022, or 2023 years to date.

The above insight suggests additional focus may be required on the governance frameworks within Governance for the short to medium future.

Further analysis can be built on this at the next Audit, Finance and Risk Committee with the additional tabled reports.

Tabled Reports		FY	Governance	Information Systems	People	Process	Total Findings
1	Accounts Payable Process Audit	2019	7	-	-	6	13
2	IT Policies Review	2019	14	-	-	2	16
Total (FY 30 June 2019)			21	-	-	8	29
Percentage by Theme			72%	-	-	28%	100%
1	Business Continuity Planning Review	2020	4	3	-	5	12
Total (FY 30 June 2020)			4	3	-	5	12
Percentage by Theme			33%	25%	-	42%	100%
1	Payroll	2021	2	-	-	3	5
2	Records Management	2021	5	1	1	2	9
3	Contract Management	2021	5	-	-	3	8
Total (FY 30 June 2021)			12	1	1	8	22
Percentage by Theme			55%	5%	5%	36%	100%

## 5. Internal Audit Insight 2019 to 2023 (cont.)

Tabled Reports		FY	Governance	Information Systems	People	Process	Total Findings
1	Procurement and Planning for the Implementation of the Enterprise Resource Planning System	2022	5	-	-	3	8
2	Occupational Safety and Health	2022	7	-	-	1	8
3	Risk Management	2022	24	-	2	2	28
4	Financial Management Review (incl Purchasing Cards)	2022	1	-	1	8	10
5	Regulation 17	2022	6	-	2	4	12
Total to Date (FY 30 June 2022)			43	-	5	18	66
Percentage by Theme			65%	-	8%	27%	100%
1	Effectiveness of Audit and Risk Committee	2023	4	-	5	5	14
2	Asset Management	2023	5	-	-	4	9
Total to Date (FY 30 June 2022)			9	-	5	9	23
Total Percentage by Theme			64%	-	22%	39%	100%
Total Tabled to Date as Internal Auditors			52	-	10	27	89
Total Percentage by Theme			59%	-	11%	30%	100%

Table 6: Summary of Categories of Findings within Tabled Reports for the year ended 30 June 2019 to date

## 5. Internal Audit Insight 2019 to 2023 (cont.)

### c) Review of the Risk Ratings of the Internal Audit Findings

#### Insight

Table 7 summarises the Risk Ratings of the findings of the tabled reports for the year ended 30 June 2019 to the year ending 30 June 2023 to date. We have observed the following:

- Over half of the findings (53%) within the thirteen (13) tabled reports fall within the Medium Risk-Rating, with the second highest risk rating is the High Rating (26%) and the third highest being a Low-Risk rating for 20% of findings.

While a High Rating is not the most frequent, having 26% of findings be rated High is quite high.

Further analysis can be built on this at the next Audit and Risk Committee meeting with the additional tabled reports.

No	Tabled Report	Year	High Risk Rating	Medium Risk Rating	Low Risk Rating	No Rating Provided	Total Findings
1	Accounts Payable Process Audit	2019	1	12	-	-	13
2	IT Policies Review	2019	1	5	8	2	16
Total Tabled for 30 June 2019			2	17	8	2	29
Percentage by Risk Rating			7%	59%	27%	7%	100%
1	Business Continuity Planning Review	2020	2	8	2	-	12
Total Tabled for 30 June 2020			2	8	2	-	12
Percentage by Risk Rating			16%	67%	16%	-	100%
1	Payroll	2021	3	2	-	-	5
2	Records Management	2021	8	1	-	-	9
3	Contract Management	2021	8	-	-	-	8
Total Tabled for 30 June 2021			19	3	-	-	22
Percentage by Risk Rating			86%	14%	-	-	100%

## 5. Internal Audit Insight 2019 to 2023 (cont.)

No	Tabled Report	Year	High Risk Rating	Medium Risk Rating	Low Risk Rating	No Ratings Provided	Total Findings
1	Procurement and Planning for the Implementation of the Enterprise Resource Planning System	2022	4	3	1	-	8
2	Occupational Safety and Health	2022	2	6	-	-	8
3	Risk Management	2022	6	14	8	-	28
4	Financial Management Review	2022	-	12	4	-	16
5	Regulation 17	2022	3	8	1	-	12
Total Tabled for 30 June 2022			15	43	14	-	72
Percentage by Risk Rating			21%	60%	19%	-	100%
1	Effectiveness of Audit and Risk Committee	2023	-	8	6	-	14
2	Asset Management	2023	-	7	2	-	9
Total Tabled for 30 June 2023			-	15	8	-	23
Percentage by Risk Rating			-	65%	35%	-	100%
Total Tabled to Date as Internal Auditors			38	58	22	2	120
Total Percentage by Theme			32%	48%	18%	2%	100%

Table 7: Risk Ratings of the findings of the tabled reports for the year ended 30 June 2019 to date.

## 6. Publications

Moore Australia has identified the following reports which may be of interest to the Audit and Risk Committee Members. This is presented in **Table 8** below.

Organisation and Report	Details	Issue Date
<b>Corruption and Crime Commission WA</b> <a href="#">Think corruption doesn't affect you? Think again</a>	The report details how corruption shows up in the public service and how corruption can pervade all levels of the public service.	22 November 2022
<b>Public Sector Commission</b> <a href="#">New integrity guide for developing detection systems</a>	A new guide aims to support government authorities develop and implement detection systems to stop misconduct and corruption.	23 November 2022
<b>Public Sector Commission</b> <a href="#">New assessment tool to improve approaches to integrity</a>	A new tool aims to support government authorities assess and improve their approach to integrity. The newly released Integrity Framework Maturity Self-Assessment Tool helps public authorities identify the strengths and weaknesses of its current approach to integrity in relation to 4 levels of maturity – emerging, developing, embedded and excelling.	9 December 2022

**Table 8: Publications Which May be of Interest**



## 7. Office of the Auditor General

A role of internal audit is to help Management to identify where risks are and to identify the controls and treatment actions in place to mitigate those risks, or to report the lack of these controls and treatment actions. A risk for all State and Local Government entities is the risk the Auditor General will perform a performance audit and report the results to Parliament which depending on the results, may identify significant un-identified risks and affect the credibility with Parliament, the community, and other stakeholders. Moore Australia assist our clients to be “audit ready” to reduce their credibility risk.

### 7.1 Tabled Reports

Tabled Auditor General reports can provide an opportunity for State and Local Government entities to assess their policy framework and practice and to identify areas where improvements can be made. It can also identify internal audit topics which may be useful to include in the Strategic Internal Audit Plan. Set out below in **Table 9**, are the Auditor General tabled reports since the last ARC meeting in November 2022. This excludes Section 82 Financial Management Act Ministerial Notifications Reports. These reports may be of interest to the Audit and Risk Committee Members in their capacity on the City of Nedlands committees, or on other committees and boards.

Tabled Reports	Date
<a href="#">Funding of Volunteer Emergency and Fire Services</a>	22 December 2022
<a href="#">Financial Audit Results – State Government 2021-2022</a>	22 December 2022
<a href="#">Compliance with Mining Conditions</a>	20 December 2022

**Table 9: Reports Tabled by the Auditor General since previous City of Nedlands Audit and Risk Committee Meeting.**

## 7. Office of the Auditor General (cont.)

### 7.2 Performance Audit Program

The OAG's forward performance audit topics can also be used to perform a self-assessment, to identify where there may be gaps within City of Nedlands, and where work needs to be performed to reduce your risks, including credibility risk. Set out below are the commenced audits with the anticipated tabling dates. The OAG is currently finalising its forward audit plan. It is the Moore Australia proposed approach to include these audit topics within our Audit and Risk Committee papers for your information only.

We provide here the link [Office of the Auditor General website](#) which identifies the audits that have commenced and their expected tabling date. The titles and anticipated tabling dates are detailed in **Table 10** below:

Performance Audit Title	Anticipated Tabling
Administration of the Perth Parking Levy (State)	Q1 2023
Effectiveness of public-school reviews (State)	Q2 2023
Regulation of air-handling and water systems (Joint)	Q2 2023
Government Campaign Advertising (State)	Q2 2023
Utilising Emergency Department Data (State)	Q2 2023
Protecting critical system infrastructure (State)	Q3 2023

**Table 10: Reports Tabled by the Auditor General since previous Audit and Risk Committee Meeting**

## 8. Feedback

Moore Australia are happy to receive any feedback during the meeting from Audit and Risk Committee Members and Management on the performance of the internal audit engagements. We can consider this feedback in the planning, execution, and reporting of future internal audits engagements.

## 9. Appreciation

We extend our appreciation to the Audit and Risk Committee, Management and staff for their assistance provided to Moore Australia WA

## 10. Questions

Michelle Shafizadeh (Director) and Nick Goosen (Associate Director) will be in attendance and are available to answer any questions that you may have at the meeting.

## Appendix 1: Risk Ratings, Guidance and Action Required

Rating	Definition	Guidance	Action required
<b>High</b>	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	<ul style="list-style-type: none"> <li>Material errors and departures from the organisation's policies and procedures.</li> <li>Financial management / accountability / probity concerns.</li> <li>Non-compliance with governing legislation and regulations may result in fines or other penalties.</li> <li>Collective impact of many moderate or low issues.</li> </ul>	<ul style="list-style-type: none"> <li>Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance.</li> <li>A detailed plan of action to be approved by Management with resolution within 30 days.</li> </ul>
<b>Medium</b>	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	<ul style="list-style-type: none"> <li>Events, operational, business, and financial risks could expose the organisation to losses could be marginally material to the organisation.</li> <li>Departures from best practice management procedures, processes.</li> </ul>	<ul style="list-style-type: none"> <li>Requires substantial management intervention and may require possible external assistance.</li> <li>Timeframe for action is subject to competing priorities and cost benefit analysis but should not exceed 3 months.</li> </ul>
<b>Low</b>	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>Events, operational and business risks could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation, and regulatory compliance.</li> <li>Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks.</li> </ul>	<ul style="list-style-type: none"> <li>Requires management attention and possible use of external resources.</li> <li>Minor treatment is desirable. Action should be completed within 6 months.</li> </ul>

## Appendix 2: Financial Management Review (incl. Purchasing Cards)



INTERNAL AUDIT  
FINANCIAL MANAGEMENT REVIEW

**City of Nedlands**

27 January 2023



# TABLE OF CONTENTS

- 1. EXECUTIVE SUMMARY .....3
- 2. SCOPE AND APPROACH .....5
- 3. OBSERVATIONS AND RECOMMENDATIONS.....7
- 4. OTHER .....26
- APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING .....27
- APPENDIX 2: KEY PERSONNEL CONTACTED .....28
- APPENDIX 3: PURCHASING CARDS PROCESS MAPS .....29



# 1. EXECUTIVE SUMMARY

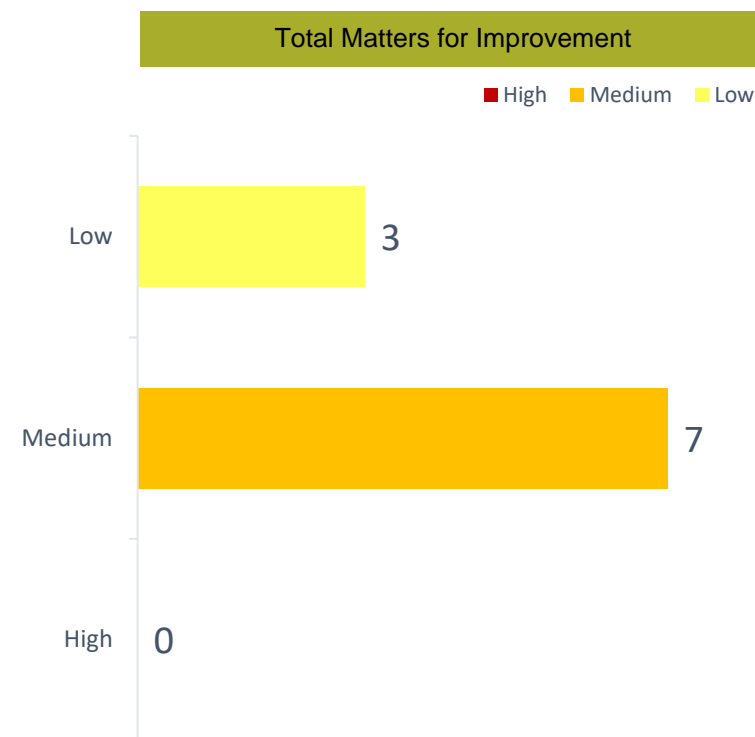
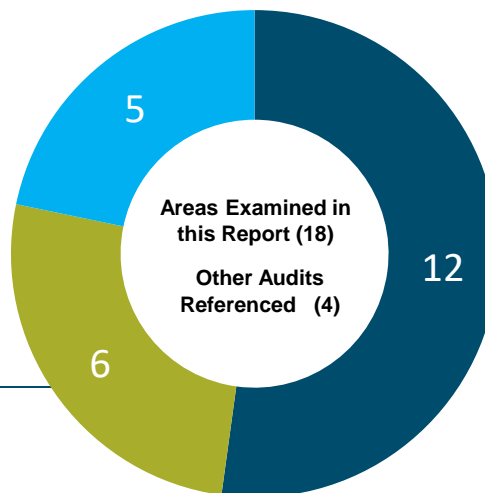
## 1.1. Background

This review included a high-level understanding of the key financial systems that support the financial processes undertaken by the City and the performance of review procedures designed to evaluate the appropriateness and effectiveness of the control environment of the City's financial management system. The procedures performed for each area in respect of the review have been included in [Appendix 1](#). We did not necessarily examine compliance with provisions of the Act or Regulations, which were not financial in nature.

## 1.2. Overall Findings

Based on the review procedures performed, we did not find any major issues with the processes related to the Financial Management of the City. However, we found some matters for improvement with the corresponding rating summarised in the below chart. The details of the observations and the relevant recommendations can be found in [Section 3 Observation and Recommendations](#)

Areas Examined in this report	Areas where controls and procedures are noted effective and are appropriate for the City's current scope of operations	<ul style="list-style-type: none"> <li>• Receipts and Receivables</li> <li>• Minutes and Meetings</li> <li>• Cost and Administration</li> <li>• Financial Reports</li> <li>• Budget</li> <li>• Rates</li> <li>• Plan for the Future</li> <li>• Insurance</li> <li>• Inventory</li> <li>• Borrowings</li> <li>• Payroll</li> <li>• General Journals</li> </ul>
	Areas where improvements are required	<ul style="list-style-type: none"> <li>• Purchase, Payable, Payment</li> <li>• Bank Reconciliations</li> <li>• Trust Funds</li> <li>• Tender Register</li> <li>• Investments</li> <li>• Purchasing Cards</li> </ul>
	(Other Audit Reports) Areas covered in other audit reports completed or issued	<ul style="list-style-type: none"> <li>• Fixed Assets</li> <li>• Financial Register</li> <li>• Audit Committee</li> <li>• Storage of records</li> <li>• Delegations</li> </ul>



# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.3. Positive Observations

Throughout the course of the engagement, there are areas we noted to be commendable as part of this audit engagement. These include the following:

- Timely submission of the documents and information as part of the initial requirements.
- The willingness of the staff involved in this audit to immediately implement the recommendation as identified wherever applicable during this audit to ensure that procedures are aligned with existing better practices.

## 1.4. Related Internal Audits

We have requested but we have not received a copy of the previous Financial Management Review

## 1.5. Acknowledgement

We would like to thank the City's personnel for the assistance that has been extended during the engagement. Key personnel contracted are outlined in [Appendix 2](#).

## 1.6. Summary of Results

The table below presents the results where matters for improvement are identified. Details are reflected in [Section 3 Observation and Recommendations](#).

Risk Rating	Summary of Findings				Recommendations
	Total	High	Medium	Low	Total
Purchase Payments and Payables	1	-	1	-	1 - 2
Bank Reconciliations	1	-	-	1	3 - 4
Trust Funds	1	-	1	-	5 - 6
Contract and Tender Register	1	-	1	-	7 - 8
Investments	1	-	-	1	9
Purchasing Cards	5	-	4	1	10 - 16
<b>Total</b>	<b>10</b>	<b>-</b>	<b>7</b>	<b>3</b>	



## 2. SCOPE AND APPROACH

### 2.1 Objective and Scope

The objective of our review as outlined in our engagement letter dated 9 November 2022 is to provide a report, based on our understanding of the City and associated risks, to the Chief Executive Officer on the appropriateness and effectiveness of the City's financial management systems and procedures as required by Financial Management Regulation 5(2)(c). To this end, we examined the following financial systems and processes of the City covering the period 1 July 2021 to 30 June 2022 as agreed with the City's Management. **The areas reviewed are listed below:**

• Purchases, Payments, and Payables	• Plan for the Future
• Receipts and Receivables	• Tender Register
• Payroll	• Budgets
• Rates	• Insurance
• Bank reconciliations	• Borrowings
• Trust Funds	• Inventory
• Cost and Administration Allocations	• Investments
• Minutes and Meetings	• General Journals
• Financial Reports	• Purchasing cards*

### 2.2 Detailed Review of Purchasing Cards\*

A detailed review was performed for the purchasing cards in accordance with a Statement of Scope signed 21 October 2022. The scope for this element of the engagement is:

- Management of purchasing cards on recruitment and termination;
- Volume of purchasing cards within the City;
- Roles and responsibilities, including segregation of duties;
- Review of policies, procedures, manuals, and guidelines that govern the management of purchasing cards, and reporting of non-compliances
- Delegations of authority for management, usage, and approval
- Value for Money, Efficiency, and Risk, where possible;
- Acquittal process of purchasing card transactions;
- Compliance with legislation and better practice principles and OAG tabled reports

### 2.3 Reference to Previous Reports

The review did not include detailed procedures performed in prior internal audits and those performed in recent times. Readers should refer to these reports for details of work performed and results of the reviews. These include:

• Fixed Assets	Asset Management Audit
• Financial Register	Conflict of Interest Audit
• Audit Committee	Review of Effectiveness of the Audit and Risk Committee
• Storage of records	Records Management Audit
• Delegations	Regulation 17 Audit

### 2.4 Approach

The methodologies applied in this review were a combination of several audit techniques to match the agreed audit objectives and scope. This review was conducted with the following approach:

- Entrance meetings and discussions with relevant stakeholders;
- Interview and meeting with different process owners who are involved in the process to understand the current environment, challenges, and opportunities;
- Review of the policies and procedures;
- Review of documents and sample testing where appropriate;
- Issuance of draft report to Management;
- Exit Meeting with Management to discuss key findings and recommendations;
- Receipt of Management feedback and comments; and
- Issuance of final report to the Audit and Risk Committee and Management.

## 2. SCOPE AND APPROACH

### 2.5 Limitations of Scope

Our work is limited by the following:

- The scope of our services and any deliverables will be limited to carrying out internal audit assignments in accordance with the strategic internal audit plan approved by the Audit and Risk Committee. We will only cover the scope of work approved by the Audit and Risk Committee and unless additional areas are specifically agreed with the Audit and Risk Committee during the year;
- The scope of work for this engagement as approved by Management in our Statement of Scope signed on 9 November 2022;
- Due to the inherent limitations of any internal control structure, we do not warrant that all weaknesses, fraud, error, or non-compliance in your control structures were detected during the course of the Engagement;
- Any testing under the Engagement is performed on a sample basis and is not conducted continuously;
- Any projections as to the assessment of the control structures in future periods are subject to the risk that the structures may become inadequate as a result of changes in conditions, or that the degree of compliance with them may deteriorate; and
- We conducted appropriate tests of key controls within our scope. Our findings only relate to the period of testing undertaken during our review and cannot be relied upon to be representative of the operation of control procedures prior to or after this period.
- The review constitutes an advisory engagement which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standard Board and, consequently no opinions or conclusions are intended to convey assurance, either expressed or implied.

### 2.6 Summary of Results

The table below shows a summary of findings within this report.

Findings		Governance	Information Systems	People	Process	Total FMR Findings
1	Purchase Payments and Payables	-	-	-	1	1
2	Bank Reconciliations	-	-	-	1	1
3	Trust Funds	-	-	-	1	1
4	Contract and Tender Register	-	-	-	1	1
5	Investments	-	-	-	1	1
6	Purchasing Cards	1	-	1	3	5
<b>Total</b>		<b>1</b>	<b>-</b>	<b>1</b>	<b>8</b>	<b>10</b>

### 2.7 Reference to Previous Internal Audit Reports

The table below shows the observations in the previous internal audit engagements that are referenced in this audit report. This report should be read in accordance with these reports.

Tabled Reports		FY	Governance	Information Systems	People	Process	Total Internal Audit Findings
1	Asset Management	2022	4	1	-	4	9
2	Effectiveness of Audit and Risk Committee	2022	4	-	5	5	14
3	Records Management	2021	5	1	1	2	9
4	Regulation Engagement 17	2022	6	-	2	4	12
<b>Total</b>			<b>19</b>	<b>2</b>	<b>8</b>	<b>15</b>	<b>44</b>

### 3 OBSERVATIONS AND RECOMMENDATIONS

#### PURCHASES, PAYMENTS, AND PAYABLES

Effectiveness of internal controls on purchase, payments, and payables	Rating
<b>Finding 1. Control gaps in purchase order and quotation requirements</b>	<b>MEDIUM</b>
<p>We reviewed the policies and procedures applicable to the purchases, payments, and payables to ensure that it is aligned as per the requirements of the financial management regulation. We also selected and tested a sample of transactions to determine whether purchases were authorised, and payments were supported, invoices and correctly allocated. Our test on the samples revealed few exceptions as follow:</p> <ul style="list-style-type: none"> <li>A. We found instances where the PO amount did not match the invoice amount. This error was due to the Purchase Order where it reflects the amount as inclusive of GST instead of adding it separately. This variation normally should not occur in the transaction between the purchase order and the invoice if the controls are working effectively. However, the City's Purchasing of Good and Service policy on variations between the Purchase Order and the Invoice requires to amend purchase order if the variance is above 10% or \$1,000 or higher. In the exception identified, it requires no amendment on the PO as it is lower than the threshold.</li> <li>B. Instances were noted where the Purchase Order for kitchen supplies included items that are classified as IT equipment which should have been excluded.</li> <li>C. Instances were noted where the minimum 3 quotations requirement (for \$40,000 to \$149,999 threshold) were not met. Although four (4) suppliers were invited but only (two) 2 provided the quotations while the remaining two did not meet the deadline – but there was no evidence of follow up sent to these suppliers or any evidence of rejection letters from the Supplier explaining the justification of refusal to provide quotation.</li> </ul> <p><b>IMPLICATION</b></p> <p>Unauthorised payments if payments do not align to approved purchase orders. Inaccurate financial management information</p>	
<b>Management Comment</b>	
<p>Purchases, Payments, and Payable internal controls and processes (officer training) to be improved to resolve GST (point A) and Classification (point B) issues identified above.</p> <p>Monitoring to be increased by Finance Department of Organisational compliance with City Purchasing Policy (Point C).</p> <p>If suppliers do not provide quotation, then unlikely supplier will provide explanation why they did not provide quote, hence also unlikely they will also provide rejection letter.</p> <p>It is noted that this is not a statutory requirement, however considered best practice and the City officer will seek feedback where possible.</p>	

Recommendations	Agreed Action	Action Owner	Target Date
1. Ensure that the purchase order category is accurate when procuring the services or goods. Consider implementing a 3-way match between (PO, Invoice and Payments).	1.Procedures to be improved to ensure correct category selected when procuring services or goods in future. 3 way matching (PO, Invoice and Payment) to be investigated in One Council if possible and implemented.	Manager Financial Services	June 2023
2. Ensure adherence to the policy of minimum quotations. Obtain evidence of refusal if the Supplier could not provide the quotation.	2. Finance Department to increase monitoring of Organisational compliance with City Purchasing policy.		

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### BANK RECONCILIATIONS

Accuracy and Completeness of Bank Reconciliations			Rating
<b>Finding 2.</b>	<b>Inconsistencies in the signoffs of the bank reconciliation and few unresolved long outstanding reconciling items</b>		<b>LOW</b>
<p>We reviewed the procedures related to bank reconciliations and examined samples to ensure that bank reconciliations are complete and timely. Our review of the samples revealed minor gaps as follow:</p> <p>A. There was an inconsistency in the review of the bank reconciliation monthly approvals. Although we noted the bank reconciliation was prepared and complete for the entire duration of the period under review (Jul 2021 to Jun 2022), we noticed that there were no documented signoffs from the Manager Financial Services on the four (4) months of the bank reconciliation from March 2022 to Jun 2022 as required by City's procedure. This reduction in the number of approvals is a change in the review controls that should have been reflected in the procedure.</p> <p>B. The bank reconciliation of the Municipal bank account has long outstanding reconciling items that are dated back to 2018 and are still included in the year 2022 bank reconciliation. Although, we were informed by the Officer in charge of the bank reconciliation these reconciling items are currently being reviewed and adjustments will be made on these items, we believe that this should be completed immediately soon to close out long outstanding reconciling items. The independent approval of the bank reconciliation should have requested this to be performed in a more timely basis as sound financial management controls, and to identify fraud, corruption and error on a timely basis. In saying this we do not doubt the integrity of Management or staff members.</p> <p><b>IMPLICATION</b></p> <p>Documented signoffs is a key approval control and the absence of which may indicate a lack of review which will eventually increase likelihood of undetected fraud, corruption and errors within the City.</p> <p><b>Management Comment</b></p> <p>A. Bank Reconciliations since March 2022 no longer reviewed by Manager Financial Services, moving forward bank reconciliations now prepared by Finance Officer-Revenue and reviewed by either Coordinator – Revenue or Senior Accountant independent of preparer. Internal operational procedures now updated to reflect change in Officer reviewing Bank Reconciliations each month City Procedure. In absence of reviewing officer Finance Manager still reviews and signs off.</p> <p>B. Long outstanding Bank Reconciliation items back to 2018 are being reviewed and addressed and majority of items appear to be bonds unrepresented stale cheques to be cancelled and new method of payment to be arranged such as EFT.</p>			
Recommendations	Agreed Action	Action Owner	Target Date
3. Update the procedure to mention signoff requirements in bank reconciliation to ensure consistency.	Procedures to be updated	Manager Financial Services	June 2023

<p>4. Review and resolve the long outstanding reconciling items that are more than 1 month.</p>	<p>Old outstanding items to be addressed. Contact payees to advise unclaimed stale cheques cancelled and advise alternative means of payment wherever applicable such as EFT.</p>		
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### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### TRUST FUNDS

Managing and Maintenance of Trust Fund Account		Rating
<b>Finding 3.</b>	<b>Lack of adequate controls for trust funds</b>	<b>MEDIUM</b>
<p>We reviewed the procedures and examined through testing a sample of receipts and refunds to determine proper accountability specific to the trust fund accounts. Our test revealed few observations as follow:</p> <p>A. No detailed breakdown of the accounts in the Trust Fund Register. As of June 2022, there were seven (7) accounts reflected in the 'Trust Monthly Reconciliation' that include (1) Footpath deposits (2) Halls bonds (3) Key bonds (4) Miscellaneous (5) Tresillian bonds (6) Unclaimed monies (7) Subdivision crossover bonds.</p> <p>However, the detailed breakdown of these accounts was not attached to the recon statement as we have to request for the account details separately. On a sample basis, we verified details of Footpath deposits, unclaimed monies and miscellaneous account – and found that there were balances in 2002 &amp; 2005 for miscellaneous, and balances in 2007 &amp; 2008 for unclaimed monies. A major portion of this balance represents unclaimed or cancelled cheques but there was no evidence of notification sent to the account holders informing payees of the alternative means of action to be taken to claim these monies.</p> <p>B. Documented signoffs evidencing review and approval of the trust fund reconciliation was also reduced from three (3) to two (2) Officers without the Manager Financial Services signature on reconciliations from February 2022 to June 2022. <i>We were informed that the change in signoffs was decided earlier where the signoff by the Manager Finance was not required and wasn't adding any value. We were also informed that the signoff process was changed where one officer will prepare the recon and the coordinator will signoff – but in the absence of the coordinator – the Manager will signoff.</i> This change in the review process should be included in the procedure wherever applicable.</p>		
<p><b>IMPLICATION</b></p> <p>Non-compliance with legislation</p> <p>Without a separate trust fund account maintained, this could increase the risk of transactions being combined with the regular funds leading to difficulty in accounting for trust funds particularly for old deposits or bonds.</p>		
<p><b>Management Comment</b></p> <p>A. Trust Funds actually now called "Bonds and Deposits" since 2019 old balances to be investigated and resolved</p> <p>B. Reconciliation Procedure to be updated to reflect new review process adopted</p>		

Recommendations	Agreed Action	Action Owner	Target Date
<p>5. Ensure regular availability of the detailed breakdown of trust funds and include it in the trust fund reconciliation document. Review the long outstanding recon items and check if these are still valid or not. Contact payees to advise unclaimed cheques and advise alternative means of payment wherever applicable.</p> <p>6. Update the procedure to mention signoff requirements in trust fund reconciliation to ensure consistency.</p>	<p>1. Full review of bonds to be undertaken and reconciled, with</p> <p>2. Procedure to be updated with new review processes.</p>	<p>Manager Financial Services</p>	<p>June 2023</p>



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### CONTRACT AND TENDER REGISTERS

Completeness of the contract and tender registers	Rating
<b>Finding 4. Incomplete documentation related to contract extensions and incomplete registers maintained</b>	<b>MEDIUM</b>

Complete documentation relating to the original contracts, amendments, variations, and extensions is critical to ensure that these are available and accessible at any time as these documents are the basis for the supply of goods and services over an extended period. Based on our review of tenders on sample basis, we found the following:

- A. Evidence of contract extensions for two (2) years from November 2020 to November 2022 related to the cleaning services between the City of Nedlands and Charles Services Company is not available. We were informed by the Procurement Officer that the documents could not be located which may be potentially an indication of inadequate records management or oversight on the subsequent contract extensions.

Contract Term	Availability of Contract and Extension
19/Nov/18 to 18/Nov/19	Original contract
19/Nov/19 to 18/Nov/20	Extension of contract for 12 months is available
19/Nov/20 to 18/Nov/21	No extension of contract available
19/Nov/22 to 18/Nov/22	No extension of contract available
19/Nov/22 to 18/Nov/23	Pending negotiation – contract is not finalised

- B. From the sample selected, we found that RFP0618/0626 is a tender for three (3) years starting from the year 2019 to 2022 specific to insurance services that should have been added in the tender register list but was not reflected clearly on the list.
- C. There was no process of regular review of the Contract Register and Tender Register along with the evidence of its review. The 'Contract Register' was last updated on 15 Nov 2022 but the information on who reviewed it and signoffs was not available. Also, the 'RFT Register' has no information about its update date and reviewer information.
- D. We found instances of blank data fields in the Contract Register and in the Tender Register fields which were not filled in to ensure completeness of the registers.

#### IMPLICATION

Non-compliance with policy

If these contract documents are not available to verify the scope of services or the agreed rates, it could increase the risks of financial losses due to continuance of services without the applicable contract that protect both parties in the event of default or breach in terms and conditions. Ineffective contract and tender management Fraud, corruption, and error may not be detected on a timely basis with inadequate financial management information

**Management Comment**

City of Nedlands staff are in an ongoing process of tracking down missing historical Contracts and Tenders registers information, once located the appropriate registers are updated to improve their completeness. Moving forward internal procedures now capture all the required new Contracts and Tenders information to ensure completeness, which is now located in one single repository.

Recommendations	Agreed Action	Action Owner	Target Date
<p>7. Contracts with extension clauses should be properly supported with evidence that is signed by both parties. Retrieve and file contract extensions in a centralised repository that is easily accessible.</p> <p>8. Update both the contract and tender registers to reflect complete information of all contracts and tenders respectively.</p>	<p>1. Currently all contracts with extensions have a letter sent to supplier when City exercises extension clauses. Mutual agreement by both parties documented rather than a doc signed by both parties. Historical contracts to be retrieved and filed in a centralised records repository, accessible by authorised staff.</p> <p>2. Contract and Tender Registers both to be updated to reflect complete information.</p>	<p>Manager Financial Services</p>	<p>June 2023</p>

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

INVESTMENTS			
Adequacy of policies pertaining to investments			Rating
<b>Finding 5.</b>	<b>Updates required related to investment policy</b>		<b>LOW</b>
<p>We reviewed the policy and procedures related to investments to identify gaps wherever applicable. The results of our tests revealed exceptions as follow:</p> <p>A. We found that some investments were split into different parts, but the existing investment policy is silent about any conditions related to splitting of investments accounts and how these are managed and approved for any rollover going forward.</p> <p>B. The 'Investment of Council Funds' was last reviewed and approved in May 2017 and should be reviewed on a timely basis and at least every 2 years or more regular if the need arises such as legislative changes etc.</p>			
<b>IMPLICATION</b>			
Unapproved investments Lack of clarity on the approvals of investment roll-over may put the City in undesirable position where investment could be renewed earning a lower interest.			
<b>Management Comment</b>			
City finance officers currently adhere to the City of Nedlands 'Investment of Council Funds Policy' and 'Investment of Council Funds City Procedure' when investing and reinvesting City funds.			
Recommendations	Agreed Action	Action Owner	Target Date
<p>9. Update the Investment of Council Fund procedure to include:</p> <ul style="list-style-type: none"> <li>▪ exemptions to roll-over approvals</li> <li>▪ clarity of procedures related to the splitting and classification of investment accounts.</li> <li>▪ review cycles along with the roles and responsibilities of the approvers and initiators.</li> </ul>	Review and update Investment Policy and Procedure as per recommendation.	Manager Financial Services	September 2023

# Background on Purchasing Cards\*

The internal controls applicable to the Purchasing Cards are key elements in the Financial Management Review (FMR) and form part of its overall internal control environment. The risks associated with the purchasing cards are high due to several reasons as follow:

- (1) the ease of use in procuring the desired services or goods without the need of pre-approval
- (2) clarity on the nature of services or goods that can be paid using the card
- (3) the means of purchase that can be done online
- (4) the extent of commitment that can happen when using the cards to procure services that extend over a long period without undergoing reauthorisation procedures
- (5) the frequency of payments that can be made daily, weekly, or monthly
- (6) the monitoring controls that should be in place to ensure that usage of cards is authorised and transactions are made for business purposes only

We presented below data analytics snapshots of purchasing cards to provide a brief background at the City of Nedlands. We also prepared and attached in [Appendix 3](#) of this report the Purchasing Card Process Maps to understand the process-level internal controls that should be in place to mitigate inherent risks involved.

Figure 1: Cardholder by business unit

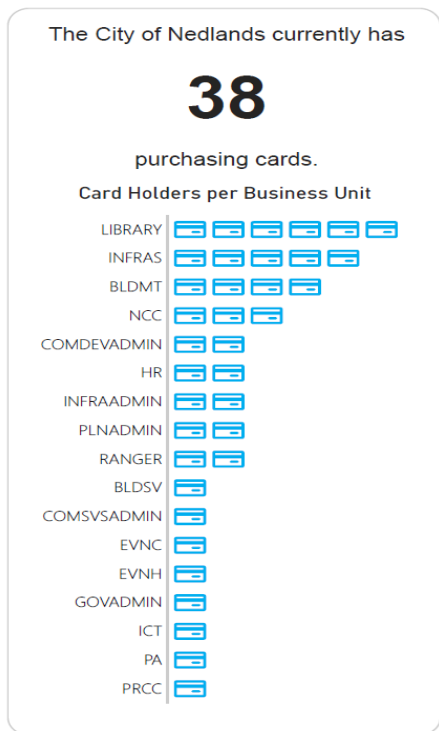


Figure 2: Summary by volume and cost

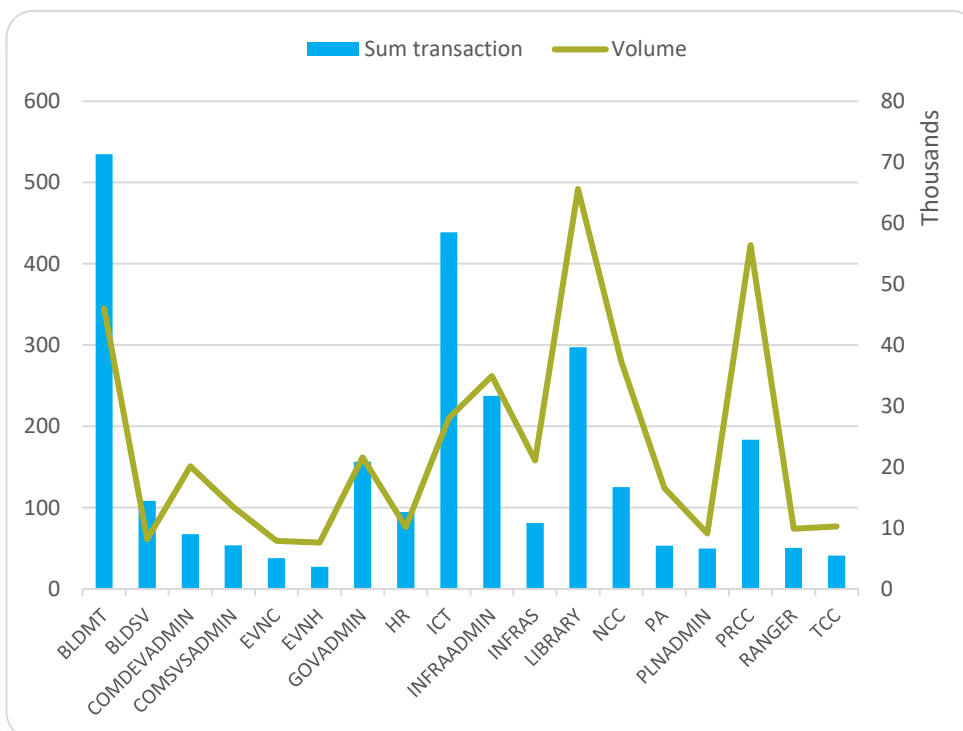
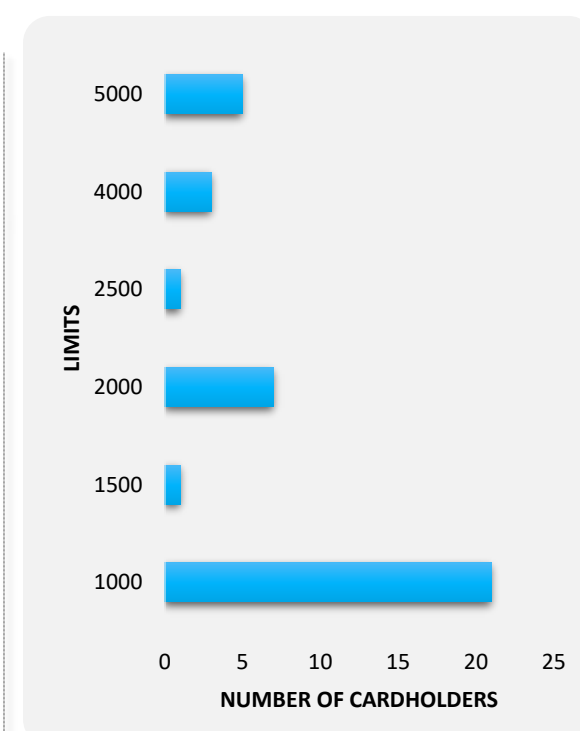


Figure 3: Limits by cardholders



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### PURCHASING CARDS

Extent of compliance with the Purchasing Card Procedures			Rating
<b>Finding 6.</b>	<b>Observations that are deemed noncompliance with the requirements in the procedures</b>		<b>MEDIUM</b>
<p>The City introduced and published the 'Use of Corporate Purchasing Cards' procedure in June 2016 with the aim of improving the City's efficiency by eliminating time-consuming paper-based ordering and payment methods for low value purchases. We selected and tested few sample transactions to validate full compliance between the requirements in the procedures and the actual practice of approvals, utilization, and documentation of the purchases made using the corporate purchase cards issued by the City. We found few differences as follow:</p>			
Procedure Reference	Specific Details in the Procedure	Actual Practice	Audit Comments on the extent of noncompliance
Page 2 Purchasing Card Usage	<i>"Prior approval must be obtained from the Manager of the card holder before the purchase is taken"</i>	For all samples selected and tested, the review happens at the reconciliation stage after the purchase is already made. No evidence of pre-approval before the purchase is made.	Pre-approval protocols prior to purchase is not complied with.
Page 3 Purchasing Card Usage	<i>"Purchasing card shall not be used for the card holder's personal benefit, including participation in incentive schemes e.g., Frequent Flyers."</i>	We found two (2) samples out of (15) where reward schemes were used at the time of purchase. We found these at the bottom of the receipts provided for our review.	The use of rewards schemes by an individual at the time of purchase is an indication of non-compliance with policy and evidence a personal benefit was received by an employee. We are not suggesting that this was intentional non-compliance or a employee intentionally seeking a personal benefit and is potentially a training and awareness opportunity.  As we selected only a sample of 15 transactions, similar noncompliance could exist in other transactions not selected for sample.

<p>Page 2 Purchasing Limits &amp; Page 2 Anti Avoidance Provision</p>	<p><i>Purchasing cards may be used for transactions not exceeding \$1,000.</i></p> <p><i>Any purchase transaction exceeding \$1,000 shall be processed via a purchase order in accordance with the procedures for purchasing goods and services</i></p>	<p>Out of the samples tested, we found one instance of purchase that exceeded the \$1,000 thresholds – dated 24<sup>th</sup> March 2022, Ref MSFT* &lt;E0200HU76Q&gt; ICT for an amount of \$1,402.50 for Software – SQL Azure subscription.</p>	<p>Potential noncompliance with policy.</p>
---	---	--	---

### Management Comment

City Use of Corporate Purchasing Card Procedures to be updated to reflect recommendations below. A max limit of 2 cards to be introduced on individual Business Units on the number of purchase cards they can be issued.

Recommendations	Agreed Action	Action Owner	Target Date
<p>10. Update the purchasing card procedure to reflect changes from pre-approval to post-approval.</p> <p>11. Provide training and awareness to all staff but specifically purchasing cardholders to remind them of the purchasing card policy addressing internal audit findings such as rewards scheme's restrictions and thresholds for use.</p> <p>12. Regular review the purchasing card transactions above the \$1,000 threshold and obtain justification as part of the approval process. Explore options of imposing transactional limit with the card if possible.</p>	<ol style="list-style-type: none"> <li>1. Update purchasing card procedures as recommended.</li> <li>2. Existing holders of City purchase cards to be reminded of requirements and responsibilities under Use of Corporate purchasing cards officer to sign form acknowledging and agreeing to abide by rules. New card holders to be approved by Manager Finance and provided a copy of 'Use of Corporate Purchasing Card requirements as above to sign also.</li> <li>3. Reviews to be undertaken for transactions over \$1,000. Options to be explored for transactional limits.</li> </ol>	<p>Manager Financial Services</p>	<p>June 2023</p>

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### PURCHASING CARDS

#### Completeness of policy and procedures Rating

#### Finding 7. Updates required on the 'Use of Corporate Purchasing Card' document MEDIUM

It is important to regularly review and update the policies and procedures to ensure that they are in compliance with legislation appropriate, relevant effective. This can also improve not just the awareness of the Officers and cardholders involved but also streamline the processes to match actual practices with written guidelines – therefore increasing the overall efficiency which will result to additional cost savings.

We reviewed the 'Use of Corporate Purchasing Card' to identify any improvement opportunities such as inconsistencies, changes in the procedures, its review cycle, custody, and any relevant information that may require changes. We also conducted inquiries and discussions with the relevant parties to understand the nature and extent of activities performed and compared these with the existing procedures.

Based on these tests, we found the following items:

Observations	Risk involved
The procedure document has not been updated since June 2016 – that is over 6 years old	Recent changes to the process, approval workflows or requirements may not be captured in the documents.
Lack of information on review cycle. It is a good governance to review the procedures every 2 years (as the upper limit) or anytime when major changes are identified such as legislative changes.	Lack of enforcement mechanism on the review protocols may promote complacency.
No information is included in the procedure on the custody of purchasing cards, particularly the handling of the inactive or unused cards. This also include updates on the details of the cardholders if the cards are passed from one holder to another without complete monitoring controls in place.	Difficulty in initiating changes as no one is designated as responsible. Custody of purchasing cards may not be secure and may present a risk of unauthorised use if there is unlawful access.
Procedure does not provide information on what to do in situations where the cardholder is on extended leave. Purchasing cards should be handed back to the City prior to extended leave which should be defined in the policy.	There is a risk of unauthorised use in the period of extended leave. When staff are on a extended leave, the card may become idle and unused, where it could have been delegated to someone else for operational purposes.

**IMPLICATION**

Outdated procedures can increase the likelihood of irregularity that can lead to potential financial losses. This can also cause confusion amongst the cardholders about complying with the requirements if changes thereof are not fully written and communicated.

**Management Comment**

City Use of Corporate Purchasing Card Procedures to be updated to reflect recommendations below.

Recommendations	Agreed Action	Action Owner	Target Date
<p>13. Implement the following changes to the Use of Corporate Purchasing Card Procedures. Ensure there is regular training and awareness of the procedures to all relevant officers in the City.</p> <ul style="list-style-type: none"> <li>• Lack of information on review cycle.</li> <li>• No information is included in the procedure on the custody of purchasing cards and roles to initiate and approve updates.</li> <li>• Procedure does not provide information on what to do in situations where the cardholder is on extended leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Procedure to be updated to reflect existing holders of City purchase cards to be reminded of requirements and responsibilities under Use of Corporate purchasing cards officer to sign form acknowledging and agreeing to abide by rules. New card holders to be approved by Manager Finance and provided a copy of 'Use of Corporate Purchasing Card requirements as above to sign also.</li> <li>• 6 monthly Review cycle to be updated in procedure.</li> <li>• Procedure to be updated to reflect custody of purchasing cards and roles to initiate and approve updates by Finance Manager</li> <li>• Procedure to be updated to reflect cardholders on extended leave over 4 weeks are to surrender purchasing card to relevant Business unit Functional Manager whilst on extended periods of leave.</li> </ul>	<p>Manager Financial Services</p>	<p>June 2023</p>



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### PURCHASING CARDS

Category of expenses paid by the Purchasing Card	Rating
<b>Finding 8. Potential recurring subscriptions that could extend over long period paid for via the purchasing card</b>	<b>LOW</b>

The 'Use of Purchasing Card' procedure document has provided some exclusion on the type of expense that should not be paid via the card such as purchase of fuel and personal expenses – but it is not clear about the subscription-based expenses. Expenses that are subscription-based are usually long-term commitments that extend over a period of few years, and if its cumulative value is calculated, the amount could easily exceed the \$1,000 thresholds.

Based on the data analysis we performed, we found a few transactions presented below that are subscriptions but paid for using the purchasing card.

ID	Statement Date	Merchant Name	Employee ID	Business Unit	Transaction Amount (\$)	Description
1	5/07/2021	MSFT *<E0200EQE12>	2409	ICT	697.76	Software-Azure Subscription
2	24/03/2022	MSFT *<E0200HU76Q>	2409	ICT	1402.54	Software- SQL Azure subscription
3	17/06/2022	PAYMATE*SPUN	608	LIBRARY	200.00	Spydus user group subscription
4	4/07/2022	WIX.COM 1002908189	178	ICT	958.90	Tresillian Wix subscription

Because of the limitation of the period of review, which is one year – we could not validate if these were either a one-off transaction which happened only once or whether these transactions reoccur in the next period. However, it is critical to revisit and update the procedure document to provide guidance on the action plan required related to subscription-based fees that could extend over multiple years without undergoing additional level of approvals as the charges are automatically charged in the card.

#### IMPLICATION

Increase the likelihood of large financial commitment over an extended period of time without the need of additional approvals.

#### Management Comment

'Use of purchasing card procedure' to be updated to permit subscription-based fees on purchase cards. Most software subscription fees are only renewable for 12 months at a time and preferred online payment method usually on a credit card and renewed each year either automatically or by request. Where subscription auto renewals are in place procedures need to be in place to ensure when City cancels subscription where use of software ceases auto payment also is cancelled.

Recommendations	Agreed Action	Action Owner	Target Date
14. Update the procedure on purchasing cards to clearly define subscription-based charges.	Update procedure on purchasing cards to define subscription-based fees.	Manager Financial Services	June 2023

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### PURCHASING CARDS

##### Number of Purchasing Cardholders and Volume of Transactions

Rating

##### Finding 9. Re-evaluation of purchasing cards required

**MEDIUM**

We calculated the volume and cost of purchase transactions for each business unit and evaluated it with the number of purchasing cards that are available for use. We found out that there are a total of **38** active purchasing cards allocated to these business units for use – but the number of purchasing cards held by each division varies. We noticed that some business units have a higher number of purchasing cards despite having a low volume and value of transactions – which pertains particularly to **'BLDMT'**, **'INFRAS'** and **'LIBRARY'**. But there was no evidence, (for example, a business case that justifies the granting of more cards to a few business units) to ensure that there is valid rationale behind these card numbers.

We understand that the last formal review of purchasing cards was performed in June 2016 which was over six (6) years ago and has not reflected any requirements about the need of any business case justification prior to granting the card to the business units. The summary and volume of transaction from 1 Jul 2021 to 31 Oct 2022.

Business Unit	EVNH	EVNC	TCC	PA	COMSVSADMIN	BLDSV	GOVADMIN	ICT	NCC
Number of cards (A)	1	1	1	1	1	1	1	1	3
# Volume (B)	57	59	77	124	101	61	162	210	280
Total Cost (C)	3,630	5,047	5,459	7,073	7,144	14,438	20,850	58,478	16,714
Average cost per transaction (C/B)	64	86	71	57	71	237	129	278	60
Average volume per card (B/A)	57	59	77	124	101	61	162	210	93

Business Unit	PLNADMIN	RANGER	HR	PRCC	COMDEVADMIN	INFRAADMIN	BLDMT	INFRAS	LIBRARY
Number of cards (A)	2	2	2	2	2	2	4	5	6
# Volume (B)	68	74	76	423	151	262	345	158	492
Total Cost (C)	6,606	6,704	12,596	24,480	8,994	31,677	71,320	10,820	39,672
Average cost per transaction (C/B)	97	91	166	58	60	121	207	68	81
Average volume per card (B/A)	34	37	38	212	76	131	86	32	82

#### IMPLICATION

Increase the likelihood of large financial commitment over an extended period of time without the need of additional approvals.

Management Comment			
Formal review of City purchasing cards to be undertaken this year, of the adequacy of the number of purchasing cards in each business unit and effectiveness of the purchasing card process.			
Recommendations	Agreed Action	Action Owner	Target Date
15. Perform a regular review of the adequacy of the number of purchasing cards in each business unit and effectiveness of the purchasing card process document this consideration and review.	Internal procedures to be updated to ensure purchasing cards numbers and effectiveness are reviewed	Manager Financial Services	June 2023

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### PURCHASING CARDS

#### Complete documentation of Cancelled Purchasing Cards Rating

**Finding 10. Lack of adequate documentation on handover and cancellation of purchasing cards** **MEDIUM**

We understand that the purchasing cards are in the name of the cardholders. Whenever the cardholder ceased to be part of the City, the purchasing cards must be handed over to be cancelled with the bank to ensure that the card is closed and cannot be used anymore by an unauthorised person.

We tested the timeliness of cancellation and the availability of documented evidence to ensure adequacy of audit trail. Based on the samples tested, we found some reportable matters as follow

- Evidence of card cancellation such as requests, bank letters are not available
- Handover document the shows who receive the card, and on which date the card was handed over are missing in few of the samples
- In general, there is an inconsistent and lack of mandatory documentation requirements relating to the cancellation process of purchasing

Cardholder	Date of Internal Notice leaving Nedlands	Effective last date (A)	Evidence of handover of card	Card Handover Date	Evidence of Cancellation service request with the bank (B)	Difference (A-B)
Madison Newby	12/08/2021	01/09/2021	Not provided	Not provided	06/09/2021	5 days
Rajan Sharma	No evidence	No evidence	Yes	11/05/2022	Not provided	Cannot calculate
Ed Herne	18/02/2022	18/02/2022	Yes	Undated	Not provided	Cannot calculate
Neil McGuinness	24/08/2021	No evidence	Yes	23/06/2021	Not provided	Cannot calculate
Brendon Capriotti	No evidence	No evidence	Not provided	Not provided	21/7/2021	Cannot calculate

We were informed that the person who was the main point of contact and the primary responsible for the card cancellation process has ceased employment in the City - which influenced the adequacy of documentation provided. However, we believe that regardless of the person involved, the process has to be robust enough to ensure that process-level internal controls are complied with at all times.

#### IMPLICATION

Potential financial loss to the City

#### Management Comment

Processes for managing the cancellation of purchasing cards when staff leave the employment of the City to be updated to ensure that process-level internal controls are robust and complied with at all times. Terminated staff exit interview checklist now includes checkbox for credit card/purchase card to be retrieved.

Recommendations	Agreed Action	Action Owner	Target Date
16. Review list of purchasing cards that belong to terminated employees and ensure these are cancelled on a timely basis. Ensure this is performed on a timely basis for all future terminated employees. File the evidence of handover, cancellation request, and proof of cancellation completely. Include in the purchasing procedure document the mandatory filing requirements for cancellation.	Undertake review of terminated employee purchase cards processes to ensure compliance and evidence of handover, cancellation request, and proof of cancellation are captured in the City's records system.	Manager Financial Services	June 2023

## 4 OTHER

### 4.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

### 4.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party.
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report.
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

### 4.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

### 4.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.

## APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING

Rating	Definition	Guidance	Action required
<b>High</b>	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	<ul style="list-style-type: none"> <li>• Material errors and departures from the organisation's policies and procedures;</li> <li>• Financial management / accountability / probity concerns;</li> <li>• Non-compliance with governing legislation and regulations may result in fines or other penalties; and</li> <li>• Collective impact of many moderate or low issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance; and</li> <li>• A detailed plan of action to be approved by Management with resolution within 30 days.</li> </ul>
<b>Medium</b>	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	<ul style="list-style-type: none"> <li>• Events, operational, business, and financial risks could expose the organisation to losses could be marginally material to the organisation; and</li> <li>• Departures from best practice management procedures, processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires substantial management intervention and may require possible external assistance; and</li> <li>• Timeframe for action is subject to competing priorities and cost benefit analysis but should not exceed 3 months.</li> </ul>
<b>Low</b>	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>• Events, operational and business risks could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation, and regulatory compliance; and</li> <li>• Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires management attention and possible use of external resources; and</li> <li>• Minor treatment is desirable. Action should be completed within 6 months.</li> </ul>

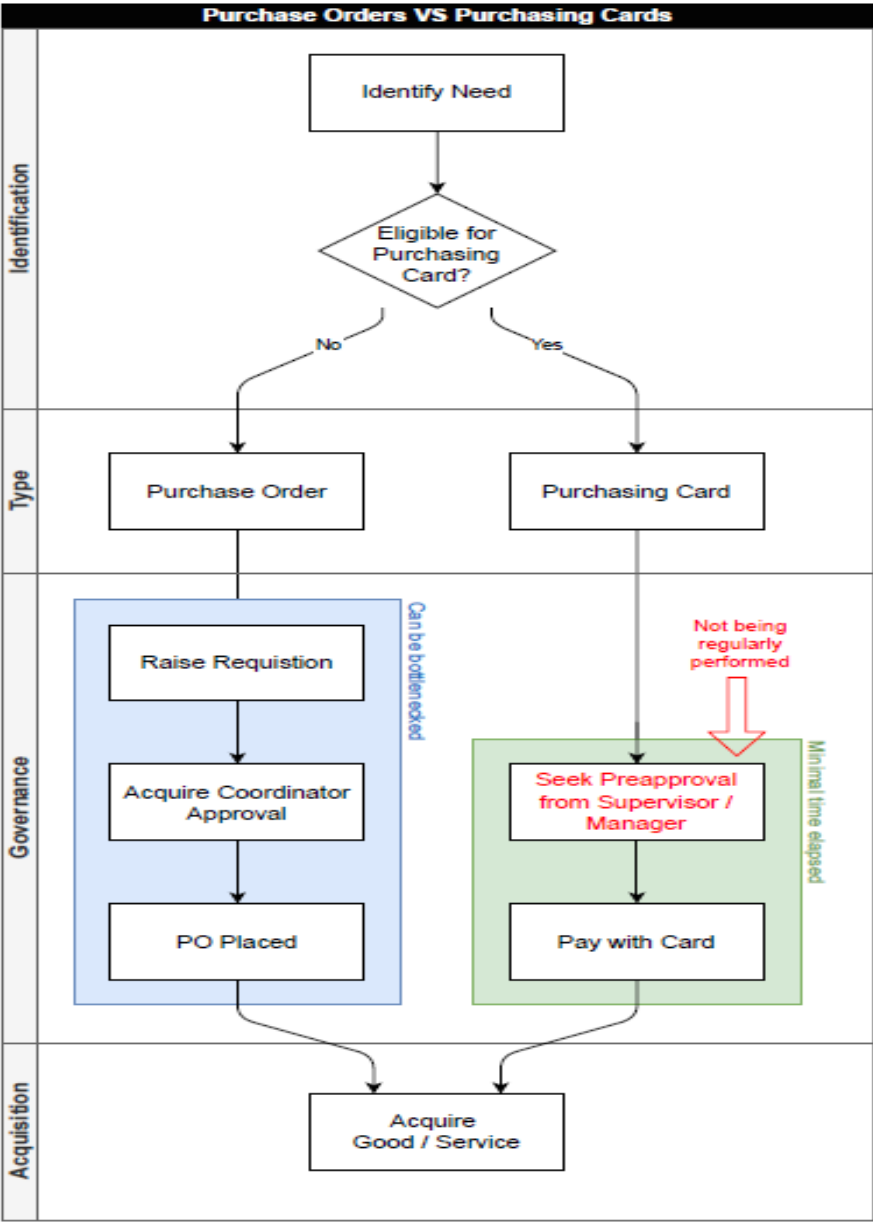
## APPENDIX 2: KEY PERSONNEL CONTACTED

We would like to thank the following personnel for their assistance in the conduct of this internal audit.

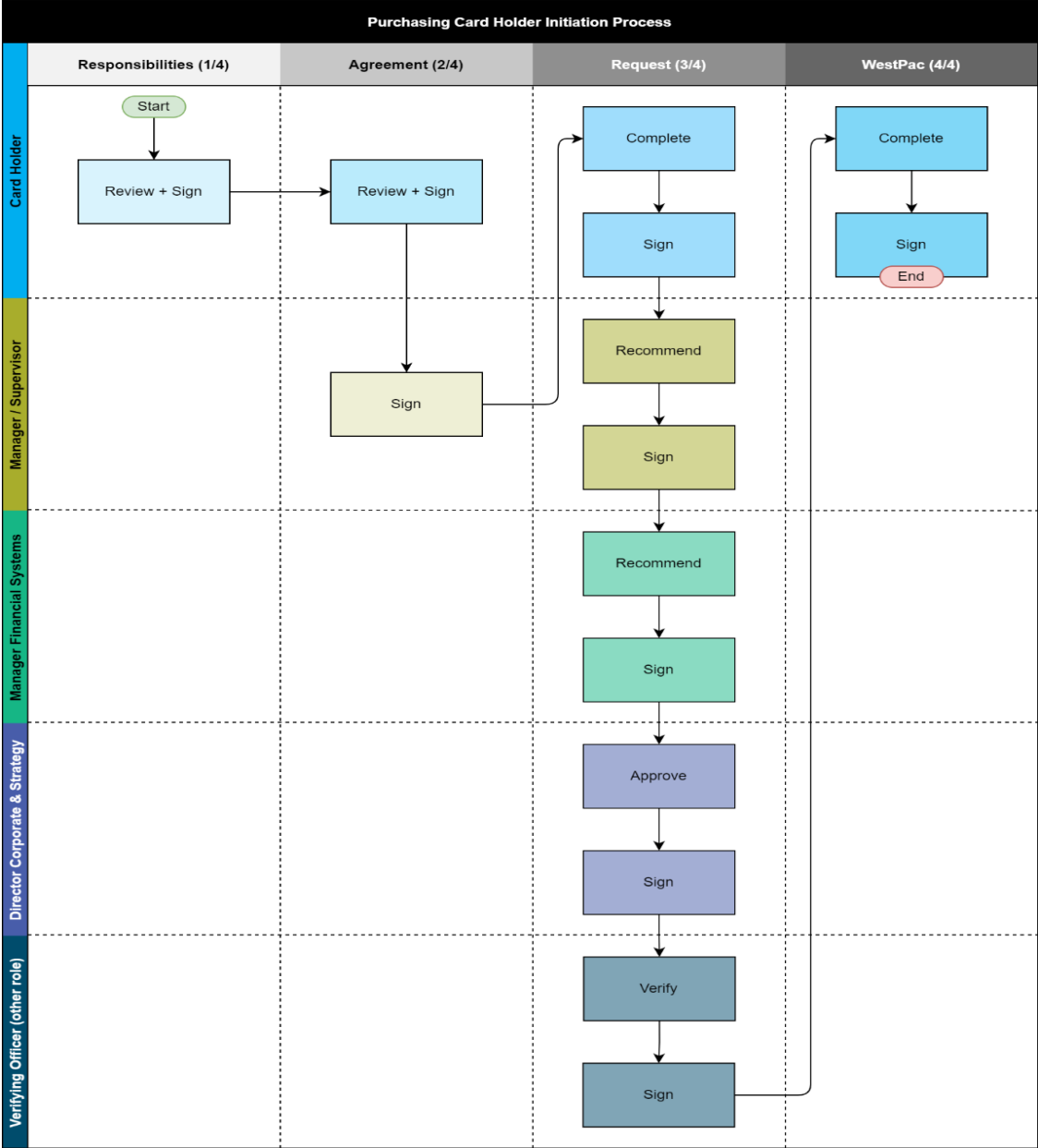
Name	Role
Mike Cole	Director Corporate Services
Stuart Billingham	Manager Financial Services
Lauren Fitzgerald	Senior Project Accountant
Qurban Ali	Coordinator Revenue
Tara Moore	Finance Officer Revenue
Purvi Chudasama	Finance Officer Accounts Payable
Nathaly Alvarez	Coordinator Procurement and Contracts



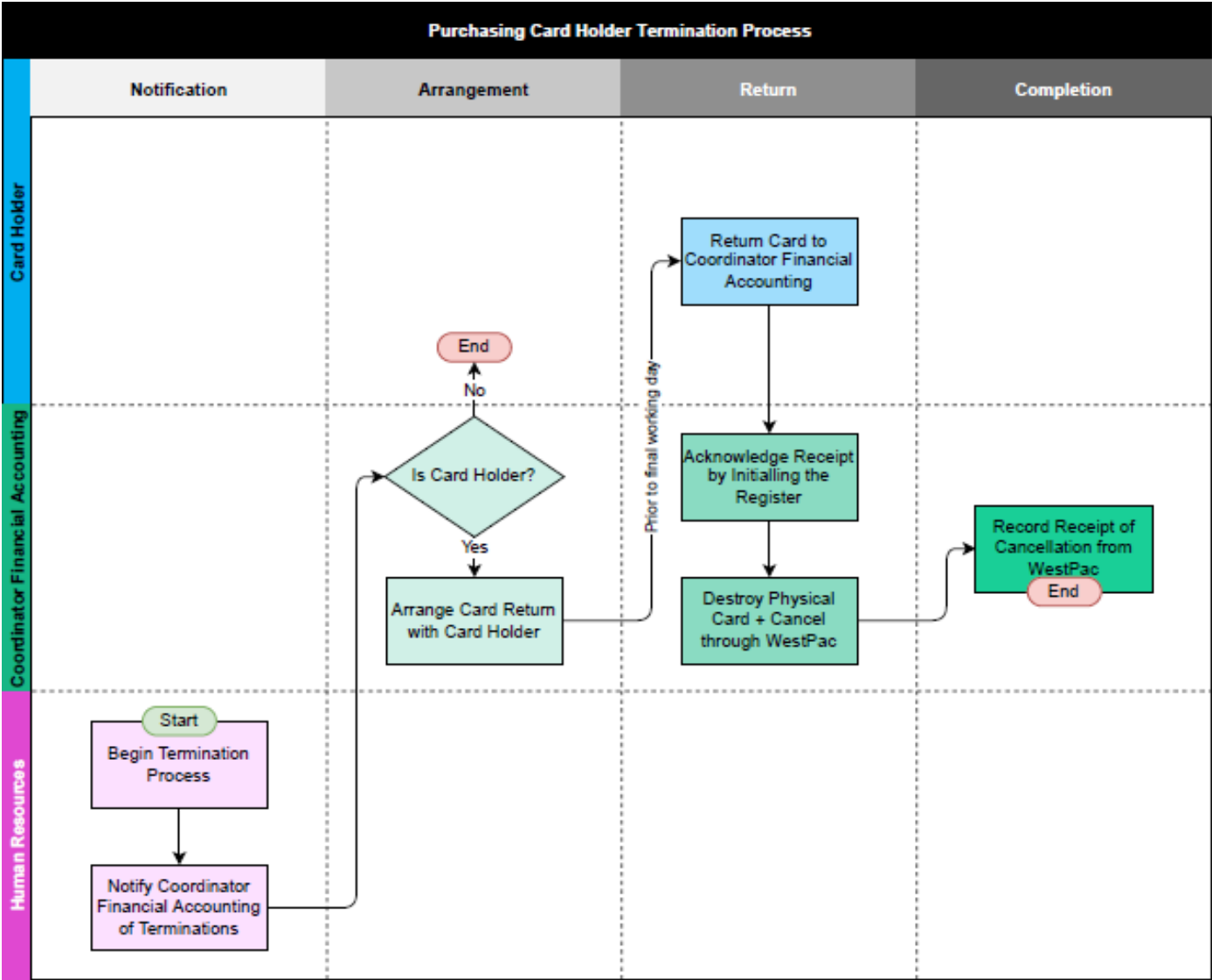
# APPENDIX 3: PURCHASING CARDS PROCESS MAPS



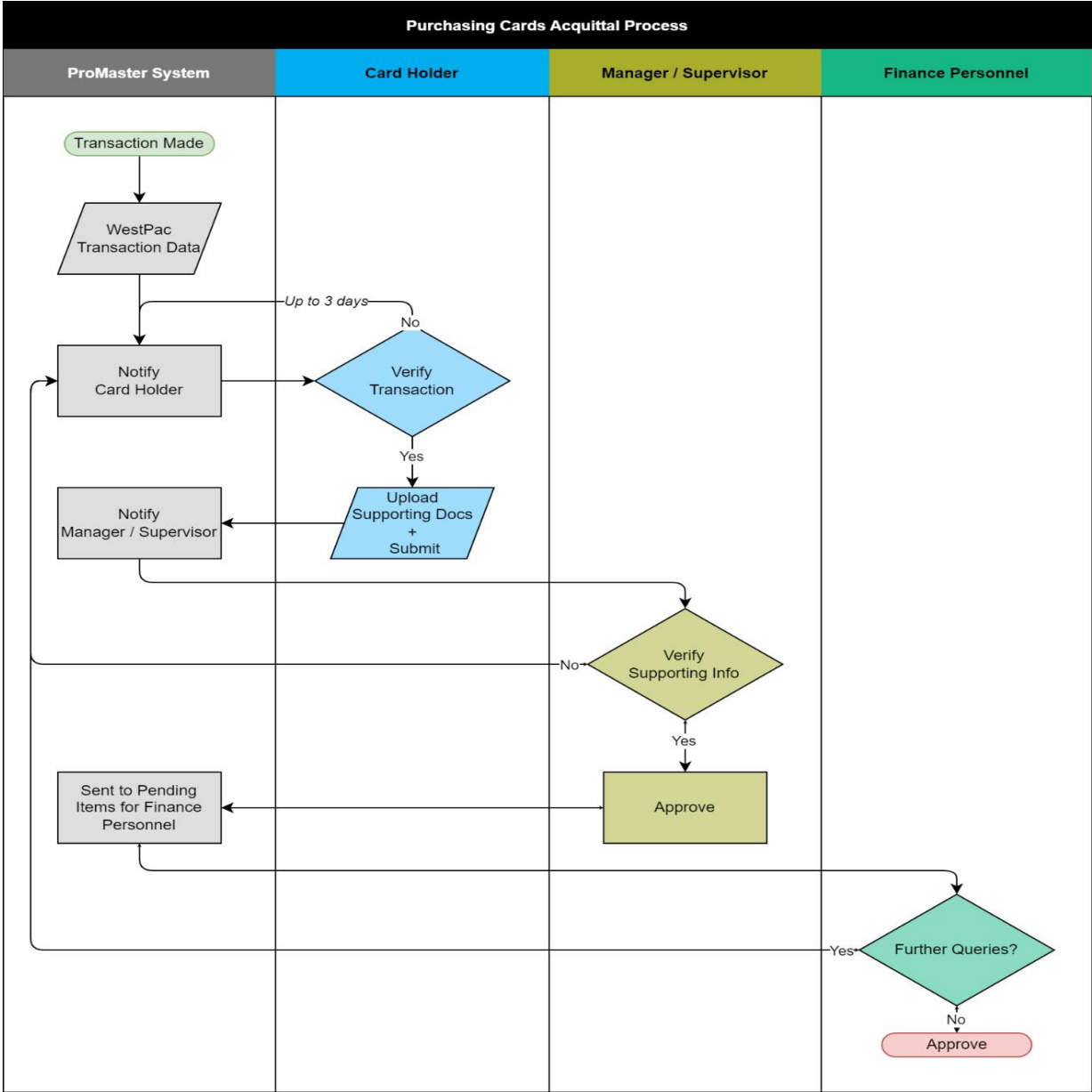
# PURCHASING CARD INITIATION PROCESS MAP



# PURCHASING CARD TERMINATION PROCESS MAP



# PURCHASING CARD ACQUITTAL PROCESS MAP



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HELPING YOU THRIVE IN A CHANGING WORLD

## Appendix 3: Regulation 17



# REGULATION 17 REPORT

**City of Nedlands**

27 January 2023



# TABLE OF CONTENTS

- 1. EXECUTIVE SUMMARY .....3
- 2. DETAILED OBSERVATIONS .....6
- 3. OTHER ..... 17
- APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING ..... 18





# 1. EXECUTIVE SUMMARY

## 1.1. Background

Regulation 17 of the Local Government (Audit) Regulation 1996 requires the Chief Executive Officer (CEO) of the City of Nedlands (the City) to undertake reviews of the appropriateness and effectiveness of local government systems and legislative compliance not less than once in every three financial years. The outcome of the review must be reported to the City's Audit and Risk Committee. Moore Australia was engaged by the City to undertake this review

In addition, this review will also provide assurance to the City in relation to their four lines posture to enable management to make better decisions and achieving its strategic objectives. Figure1 illustrates four lines of defence model:

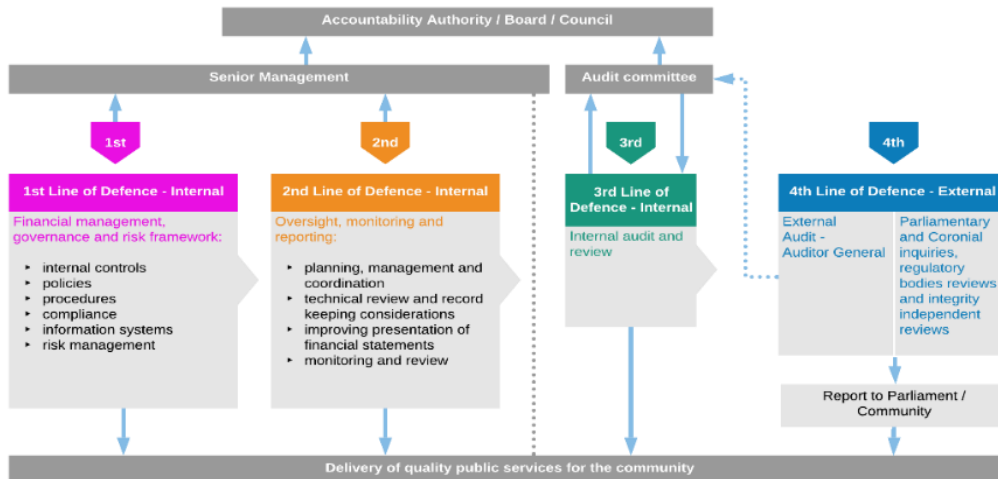


Figure 1: Four Lines of Defence Model. Source: Office of the Auditor General

## 1.2 Objective and Scope

The objective of the review is to provide the basis for a report by the Chief Executive Officer to the Audit & Risk Committee on the appropriateness and effectiveness of the City's risk management, internal controls and legislative compliance systems and procedures as required by the Local Government (Audit) Regulations 1996, Regulation 17.

The scope includes a review of the following:

- The City's risk management systems policies, procedures and plans;
- Evaluate the key non-financial / operational internal control systems and procedures. Financial controls are in the scope of Financial Management Review legislative requirement and not in the scope of this engagement; and
- Assess systems and procedures for maintaining legislative compliance. This is not a compliance audit of the City compliance with all legislative compliance obligations.

With management's agreement, we have leveraged the following internal audits and / or reviews to minimise duplication of effort and to achieve better efficiency:

- OAG audits (financial and GCC), for FY21 as FY22 results are not yet available;
- Fraud Prevention in Local Government conducted by OAG in FY19/20;
- Recent internal audits and reviews undertaken by Moore Australia including accounts payable, IT Policies, payroll, contract management, records management, occupational, health and safety, business continuity, risk management, work force management, asset management audit and effectiveness of the audit and risk committee review;
- Financial management regulation review and purchasing card audits in progress concurrently with Regulation 17 review; and
- Areas subject to the Compliance Audit Return (CAR).

Hence, this report should be read in conjunction with the above mentioned audits or reviews.

As part of this review, we considered the following Act and Regulations:

- Local Government Act 1995;
- Local Government (Audit) Regulation 1996;
- Local Government (Function and General) Regulations 1996; and
- Local Government (Financial Management) Regulations 1996.



# 1. EXECUTIVE SUMMARY (CONT.)

## 1.3 Approach

The review undertook the following approach:

- Developed a detailed work program specific to risk management, internal control and legislative compliance requirements;
- Interviewed relevant stakeholders;
- Performed a walkthrough of key documents;
- Assessed the design effectiveness of the current process and provided recommendations for gaps noted;
- Reviewed the previous audits and reviews work completed referenced in this report;
- Exit meeting with relevant stakeholders;
- Issue of draft internal audit report;
- Receipt of Management Comments for consideration by Moore Australia;
- Issue of final internal audit report to Management; and
- Attendance and presentation of the final report to the Audit and Risk Committee.

This review has been conducted in accordance with the 'International Standards for the Professional Practice of Internal Auditing' contained in the 'International Professional Practices Framework' issued by the Institute of Internal Auditors.

As mentioned above, there were three areas assessed in this engagement being risk management, internal control and legislative compliance. Please note that this audit is not a compliance engagement, and we did not perform detailed compliance testing.

As identified in Section 1.2 we leveraged from the previous internal audit reports and did not duplicate any work with these internal audits.

## 1.4 Overall Observation

The City recognises the importance of Risk Management, Internal Controls, and Legislative Compliance activities and the need to maintain good governance. Recently, management rolled out the following systems and activities to enhance the current controls, better risks management practices and timely monitoring and adhering to legislative compliance requirements;

**Attain System** – This system was implemented in June / July 2022 to replace manual handling and management of legislative compliance requirements.

**OneCouncil ERP System** – This ERP platform system aims to improve data accuracy, efficiency, minimise risk, compliance requirements and will assist to modernise City's infrastructure and processes

The picture below illustrates planned implementation model:



While Management is committed to improving the governance and internal controls within the City, and actively undertaking various activities including addressing internal and external audit recommendations, some exceptions were identified as part of this review:

### Risk Management

An internal audit of risk management conducted by Moore Australia in July 2022 found that the City's overall risk management function requires significant improvement. Further, upon reviewing the City's Audit log reported to Audit and Risk Committee in November 2022, it was noted that a large number of risk management actions remain open or overdue. We acknowledge that a Governance and Risk Coordinator has been appointed and as part of this role's responsibilities include completing these tasks.

# 1. EXECUTIVE SUMMARY (CONT.)



## 1.5 Overall Observation (cont.)

### Internal Control

The City is working towards establishing a transparent and effective internal control environment. However, based on the inspection and discussion of relevant internal audit documents, reports and audit log, it has been concluded that internal controls still remain an area for improvement. Through discussion with relevant stakeholders, it was identified that the primary reason management unable to achieve higher levels of internal control effectiveness is due to high staff turnover and manual oriented business processes to support the control environment.

It was identified that current controls relating to maintenance of various register requires improvement. These registers are maintained manually and lack of cross department's involvement to ensure the register is current and complete. It was also identified that a framework for governing drafting of policy and procedure is lacking to strengthen the first line of defence controls.

### Legislative Compliance

We recognise that the City is in the progress of improving their legislative compliance posture with the implementation of Attain system to manage legislative compliance activities. However, it was identified that there is no documented framework, policies, procedures and registers describing the roles and responsibilities and the processes for managing, monitoring and reporting the legislative compliance activities outcomes.

Refer to section 2 of this report for detailed findings with a risk rating.

## 1.5 Finding Categories

Moore Australia has categorised the findings into four areas which are: Governance, Process, Information and Systems and People. The definitions have been set out in Table 1 below.

<b>Governance</b>	The framework of rules, encompassing policies, procedures and processes within and by which authority is exercised and controlled in an organisation.
<b>Process</b>	A series of logical activities or actions performed to achieve a particular result
<b>Information and System</b>	Interrelated components of technology, people, and processes an organisation uses to create, store and distribute information
<b>People</b>	The human resource capacity, capabilities and culture of the organisation

Table 1 Finding Categories.

## 1.6 Summary of Findings

All of the risk management findings, and the significant majority (93%) of the findings relating to internal controls are leveraged from previous internal audits as described in Section 1.2 Objective and Scope". There was no previous work performed on legislative compliance specifically, and so all findings are included in this report.

A summary of the findings against the three elements of the Regulation 17 are detailed in Table 2 below.

Risk Rating	TOTAL	Risk Management	Internal Controls	Legislative Compliance
<b>Governance</b>	<b>93</b>	24	66	3
<b>Process</b>	<b>43</b>	2	39	2
<b>Information and Systems</b>	<b>5</b>		5	
<b>People</b>	<b>10</b>	2	7	1
<b>Total Findings</b>	<b>151</b>	<b>28</b>	<b>117</b>	<b>6</b>

Table 2: Summary of Findings.

## 1.7 Acknowledgement

We have met with key personnel within the City to perform the engagement. We would like to thank the following personnel for their assistance in the conduct of this audit.

- Mike Cole – Director Corporate Services;
- Stuart Billingham – Manager Financial Services;
- Tony Benson– Manager ICT;
- Nicole Ceric – Executive Officer; and
- Lauren Fitzgerald – Senior Project Accountant



## 2. DETAILED OBSERVATIONS

### 2.1 Risk Management

As mentioned in Section 1 of this report, Moore Australia completed a comprehensive risk management internal audit this year to assess the adequacy and effectiveness of the City's internal controls for Risk Management. The outcome of this review was provided to management in an internal audit report dated July 2022. This risk management internal audit engagement should be read in conjunction with this Regulation 17 report. The summary of the findings has been summarised in the Executive Summary.

### 2.2 Internal Control

The internal control element of the Regulation 17 engagement has been leveraged from the internal audit reports which have been provided over the period. The following audit reports should be read in conjunction with this report. We have summarised the recommendations in the Table 3 including new recommendations from this Regulation 17 engagement.

The table below illustrates that there is no systemic trend to indicate that internal control environment has strengthened in the last three financial years.

	<i>Tabled Reports</i>	<i>FY</i>	<i>Governance</i>	<i>Information Systems</i>	<i>People</i>	<i>Process</i>	<i>Total Internal Audit Findings</i>	<i>Regulation 17 Report</i>	<i>Total Findings</i>
1	Accounts Payable Process Audit	2019	7	-	-	6	13	NA	13
2	IT Policies Review	2019	14	-	-	2	16	NA	16
3	Business Continuity Planning Review	2020	4	3	-	5	12	NA	12
4	Payroll	2021	2	-	-	3	5	NA	5
5	Records Management	2021	5	1	1	2	9	NA	9
6	Contract Management	2021	5	-	-	3	8	NA	8
7	Occupational Safety and Health	2022	7	-	-	1	8	NA	8
8	Risk Management	2022	24	-	2	2	28	NA	28
9	Effectiveness of Audit and Risk Committee	2022	4	-	5	5	14	NA	14
10	Workforce Plan	2022	10		1	6	17	NA	17
11	Asset Management	2022	4	1		4	9	NA	9
12	Regulation 17 Engagement (this report)	2022	6	-	2	4	NA	12	12
	<b>Total Regulation 17 Recommendations.</b>		92	5	10	43	139	12	151

Table 3: Reconciliation of the reports which have been leveraged in this report, and including the findings from this Regulation 17 Report



## 2. DETAILED OBSERVATIONS (CONT.)

### 2.2 Internal Control (cont.)

A summary of the findings and recommendations from previous internal audits and Regulation 17 audit are detailed in Table 4 below. In total, we provided 12 recommendations for management's consideration in this audit.

Risk Rating	TOTAL	Previous Internal Audit Recommendations	Regulation 17 Recommendations
Governance	92	86	6
Process	43	39	5
Information and Systems	5	5	-
People	10	9	1
<b>Total Findings</b>	<b>151</b>	<b>139</b>	<b>12</b>

**Table 4: Summary of Findings Relating to Internal Controls. (Previous Internal Audits and this Regulation 17 Report)**

In addition to the observations reported in the previous internal audits as mentioned in the Executive Summary Section "Objective and Scope". We observed the following further observations:

#### Internal Controls Management Comment

The findings are noted. The City has appointed a Coordinator of Governance and Risk who commenced in January 2023. For each recommendation, the agreed actions, responsible owner and action date are listed below.

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.2.1	<p><b>Audit Recommendations</b></p> <p>It was noted that there are long outstanding internal audit recommendations in the Audit log pending closure by management. As of November 2022:</p> <ul style="list-style-type: none"> <li>Out of 81 open internal audit recommendations, .35 recommendations are overdue and longest being 856 days;</li> <li>Out of 14 open OAG financial recommendations, 11 recommendations are overdue and longest being 764 days; and</li> <li>Out of 17 open OAG financial recommendations, 5 recommendations are overdue and longest being 902 days.</li> </ul>	High	<p>Recommendations from internal and external audit findings have been updated in the Audit log and outstanding actions will be finalised progressively.</p> <p>The Coordinator Governance and Risk will progress close out in conjunction with responsible officers.</p>	Coordinator Governance and Risk and various action owners listed against each agreed action.	Ongoing



## 2. DETAILED OBSERVATIONS (CONT.)

### 2.2 Internal Control (cont.)

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.2.1 (cont.)	<p><b>Audit Recommendations (cont.)</b></p> <p>It is acknowledged that the City understands the importance and has a commitment to close out the recommendations on a timely basis. The external and internal audit recommendations have been monitored and reported by Moore Australia to the Audit and Risk Committee at each meeting, however there has not been traction with the close out of the recommendations. It is also acknowledged that Management has appointed Moore Australia to be responsible for the Audit Log and liaise with Management to meet and explain the evidence required to validate, monitor, and report the recommendations to the Audit and Risk Committee. This has already seen great improvement in the close out rate in November 2022 and this is expected in future months as well.</p> <p><b>2.2.1 Recommendation</b></p> <p>Management should consider the resources, cost, risk and benefit in closing out external, internal and other recommendations and continue to monitor and report these to the Audit and Risk Committee on a timely basis.</p>	High			
2.2.2	<p><b>Grant Register</b></p> <p>Through discussion it was identified that an applicant is required to fill out an Acquittal Form and return to the City, with accompanying supporting evidence such as receipts, photos, testimonials, etc. The Community Development Officer then add the acquittal to their SharePoint folder.</p> <p>If applicants have outstanding grants that have not been acquitted they will not be considered until the acquittal is completed.</p> <p>However, the grant register does not track and report on the outstanding acquittal for timely completion within three months as required by the Community and Youth Grant Procedures.</p> <p><b>2.2.2 Recommendation</b></p> <p>Management should review and revise the Grants Register to track and report on the outstanding acquittal for timely completion within 3 months as required by the Community and Youth Grant Procedures</p>	Medium	<p>Agreed. Officers in the Community Development team have been reminded to follow up with grant recipients to close out acquittals in a timely manner. The register is already in SharePoint and a separate register is not considered necessary.</p> <p>No further action is proposed.</p>	No action proposed.	N/A



## 2. DETAILED OBSERVATIONS (CONT.)

### 2.2 Internal Control (cont.)

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.2.3	<p><b>Hazardous Register</b></p> <p>A Register of Hazardous Materials was provided for our inspection, to reflect properties under the control of the City which may contain hazardous materials such as combustible liquid. This register includes materials held in Administration Office in Nedlands only. We were unable to evidence all other locations which Nedlands operates has been considered and relevant hazardous materials are recorded in this register.</p> <p><b>2.2.3 Recommendation</b></p> <p>Review and revise the Register of Hazardous Materials to include all of the City locations and all hazardous materials in accordance with legislation and better practice principles.</p>	High	At the time of the audit, the Chemical Register Software was not accessible due to login issues. This issue is now resolved; all hazardous substances throughout the CoN have been identified and risk assessed, and adequate controls are in place. Ongoing management, awareness training and risk review are compulsory under the WHS Act 2022. To minimise the risk of not being able to access the register, a hard copy will be printed and made available for consultation at the Administration and Depot offices. The manifest will be reviewed annually.	WHS Officer	Mid Jan for the manifest hard copies.  Ongoing for the register management
2.2.4	<p><b>Policy Framework</b></p> <p>Through discussion it was identified that there is adequate process and policy and procedure templates in place for establishing and obtaining approval for policy and procedures. Prior to writing a policy a discussion paper on why a policy is required is to be written and presented to the officer's manager then director for approval and support prior to being submitted to EMT / CEO for approval then the discussion paper is presented to Council Members at a Concept Forum to ensure a policy is required and what Council Members would like in the policy. Following the concept forum the officer then drafts policy and it goes to manager then director then EMT / CEO for approval and then to Council for adoption in case of Council Policy.</p>	Medium	Noted. The Council already has a formally adopted policy "Development of Policies and Administrative Procedures" No further action is proposed.	N/A	N/A



No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
	<p>However, the above mentioned process is not formally documented and communicated to the relevant stakeholders. Through discussion with the Executive Officer, it was noted that the newly appointed Risk and Governance Officer will develop a framework to formalise the above mentioned process.</p> <p><b>2.2.4 – Recommendation</b></p> <p>Develop a Policy Framework Policy which identifies the approved process for the identification, development, revision, approval, and publishing of City policies.</p>				





## 2. DETAILED OBSERVATIONS (CONT.)

### 2.2 Internal Control (cont.)

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.2.5	<p><b>Complaints Handling</b></p> <p>The City Customer Service Charter and Council Complaint Handling Policy exist. However, the City does not have a Complaint Register, nor a procedure for non-community complaints. This has been raised in prior internal audits.</p> <p><b>2.2.5 – Recommendation</b></p> <p>Develop and / or revise the current policy to include non-community complaints and a Complaints Register</p>	Medium	<p>The City manages complaints and enquiries through the OneCouncil CRM module.</p> <p>Complaints, as distinct from requests, are dealt with individually by next level up and escalated when needed to Director or CEO.</p> <p>Consideration will be given to developing a complaints register.</p>	Coordinator Governance and Strategy	June 2023
2.2.6	<p><b>Significant Adverse Trends</b></p> <p>Through discussion with the Director of Corporate Services, it was identified that adverse trends are identified through networking session with other local government representatives and during the City's annual planning meeting, whereby the Executive team members discuss the adverse trend and identify appropriate action plans.</p> <p>However, there is no formalised process in place to ensure the significant adverse trends are timely identified, managed and reported to the Audit and Risk Committee.</p> <p><b>2.2.6 – Recommendation</b></p> <p>Consider a formalised process to identify, monitor and report any significant adverse trends to reduce the risk of reoccurring and to improve oversight by the Audit and Risk Committee.</p>	Medium	<p>Noted. With the introduction of the OneCouncil system, the CEO has had a dashboard developed showing key indicators/trends. No further action is proposed. In addition, EMT agendas include as standing agenda items OHS and Risk. Appropriate reporting to Elected Members, including Audit and Risk Committee is being developed.</p>	Director Corporate Services and Coordinator Governance and Risk	Ongoing



## 2. DETAILED OBSERVATION (CONT.)

### 2.3 Legislative Compliance

The Legislative Compliance element of the Regulation 17 engagement approach was to assess the governance in place by the City to ensure it meets their legislative compliance obligations. It is not a compliance engagement and we are not testing for non-compliance with legislation.

Moore Australia however wish to acknowledge that the Attain system has been used by the City since June / July 2022 to manage its compliance activities with applicable laws and regulations. Integrity, an external contractor, administers and updating the new legislation requirements in this system. Currently, the Governance Officer and Executive Officer is responsible for maintaining and reporting the outputs from the Attain system. Majority of the findings reported below are relating to the period before the implementation of the Attain system which is the period within our audit scope.

#### Legislative Compliance Management Comment

The findings are noted and agreed actions are listed below against each recommendation.

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.3.1	<p><b>Legislative Compliance Framework</b></p> <p>There is no documented overarching Legislative Compliance Framework, Legislative Compliance Policy, Legislative Compliance Procedure, Legislative Compliance Register (with all legislation the City is required to comply with) and Legislative Non-Compliance Register (non-compliances with legislation) to define the accountabilities, roles and responsibilities, processes, breaches and monitoring and reporting undertaken by the City. We acknowledge that a Governance and Risk Coordinator has been appointed and as part of this role is to complete these actions.</p> <p>By virtue of not having a Legislative Compliance Register, the City has not identified Legislative Compliance Owners for the specific Legislation it is required to comply with. There is no one accountable within the City for Compliance with each piece of legislation. It has also not gathered evidence to support its compliance.</p> <p><b>2.3.1 – Recommendation</b></p> <p>Develop a Legislative Compliance Framework, Legislative Compliance Policy, Legislative Compliance Procedure and Legislative Compliance Register, Non-Compliance Register for the legislative compliance activities. Also identify Legislative Compliance Owners for specific legislation and retain evidence to support compliance.</p>	High	A Legislative Compliance Framework will be developed.	Coordinator Governance and Risk	June 2023



## 2. DETAILED OBSERVATION (CONT.)

### 2.3 Legislative Compliance (cont.)

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.3.2	<p><b>Legislative Compliance Resources</b></p> <p>There are no dedicated resources for the Legislative Compliance function. There is no one within the City with Legislative Compliance responsibilities for the above framework, policy and procedure, such as a Legislative Compliance Officer. This can be additional to other responsibilities within the City.</p> <p><b>2.3.2 – Recommendation</b></p> <p>Consider the appointment of a Legislative Compliance Officer who will be responsible for the Legislative Compliance Framework, Legislative Compliance Policy and Legislative Compliance Procedures</p>	Medium	<p>Noted. Rather than a dedicated Legislative Compliance Officer, this role can be overseen by the Coordinator Governance and Risk who commenced in January 2023</p> <p>Management considers this has been addressed and no further action is proposed.</p>	Coordinator Governance and Risk	Ongoing
2.3.3	<p><b>Legislative Compliance Culture</b></p> <p>City of Nedlands Code of Conduct has limited details relating to oversight of Legislative Compliance.</p> <p><b>2.3.3 – Recommendation</b></p> <p>Review the Code of Conduct and consider where references to legislative compliance can be enhanced.</p>	Medium	<p>Agreed. Will be addressed with the next review of the Staff Code of Conduct</p>	Coordinator Governance and Risk	December 2023
2.3.4	<p><b>Legislative Compliance Training</b></p> <p>There is no formal induction and regular training of the Legislation Owners.</p> <p><b>2.3.4 – Recommendation</b></p>	Medium	<p>Agreed. A program will be developed in conjunction with HR.</p>	Coordinator Governance and Risk	June 2023



	Consider training for Legislative Compliance Owners in their legislative compliance responsibilities under the proposed framework, policy, and procedure.				
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## 2. DETAILED OBSERVATION (CONT.)

### 2.3 Legislative Compliance (cont.)

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.3.5	<p><b>Emerging Compliance Requirements</b></p> <p>There is no Legislative Compliance Strategy and / or Plan which sets out the proposed approach to Legislative Compliance, emerging changes to legislation, input into proposed legislative changes affecting the City, and how current legislative compliance responsibilities will be met over the next few years and current year.</p> <p><b>2.3.5 – Recommendation</b></p> <p>Consider the development of a Legislative Compliance Strategy (more than 1 year) or Plan (Annual Plan) which identifies the emerging and current changes to legislation, the impacts on the City, and how they will be managed.</p>	Medium	Agreed. A framework to address legislative compliance will be developed.	Coordinator Governance and Risk	December 2023
2.3.6	<p><b>Compliance Audit Return</b></p> <p>We acknowledge that Executive Officer coordinates and completes the Annual Compliance Audit Return in the Department of Local Government Smart Hub. It was identified that there is no certification process for key legislation asserting compliance with legislation. This is a key governance control to give assurance to Management prior to finalization of the Compliance Audit Return. As stated above, there is no evidence to support the compliance with legislation.</p> <p><b>2.3.6 – Recommendation</b></p> <p>Develop an approved procedure for the Compliance Audit Return and consider the implementation of a certification process to support this procedure which includes the retention of evidence to support legislative compliance.</p>	Low	<p>Noted. The City utilises the Attain platform to manage the CAR. There is provision within the software to record retention of evidence.</p> <p>The CAR has been added to the Compliance Calendar which we now have in the Attain Software. Last year's CAR was provided to the Auditor's with the Council minutes confirming</p>	Coordinator Governance and Risk	December 2023



			<p>acceptance of the CAR.</p> <p>Consideration will be given to formally include this process into a procedure in time for the 2023 CAR.</p>		
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## 3. OTHER

### 3.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

### 3.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party;
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report;
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist;

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis; and
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

### 3.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

### 3.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.



## APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING

Rating	Definition	Guidance	Action required
<b>High</b>	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	<ul style="list-style-type: none"> <li>Material errors and departures from the organisation's policies and procedures;</li> <li>Financial management / accountability / probity concerns;</li> <li>Non-compliance with governing legislation and regulations may result in fines or other penalties; and</li> <li>Collective impact of many moderate or low issues.</li> </ul>	<ul style="list-style-type: none"> <li>Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance; and</li> <li>A detailed plan of action to be approved by Management with resolution within 30 days.</li> </ul>
<b>Medium</b>	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	<ul style="list-style-type: none"> <li>Events, operational, business, and financial risks could expose the organisation to losses could be marginally material to the organisation; and</li> <li>Departures from best practice management procedures, processes.</li> </ul>	<ul style="list-style-type: none"> <li>Requires substantial management intervention and may require possible external assistance; and</li> <li>Timeframe for action is subject to competing priorities and cost benefit analysis but should not exceed 3 months.</li> </ul>
<b>Low</b>	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>Events, operational and business risks could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation, and regulatory compliance; and</li> <li>Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks.</li> </ul>	<ul style="list-style-type: none"> <li>Requires management attention and possible use of external resources; and</li> <li>Minor treatment is desirable. Action should be completed within 6 months.</li> </ul>



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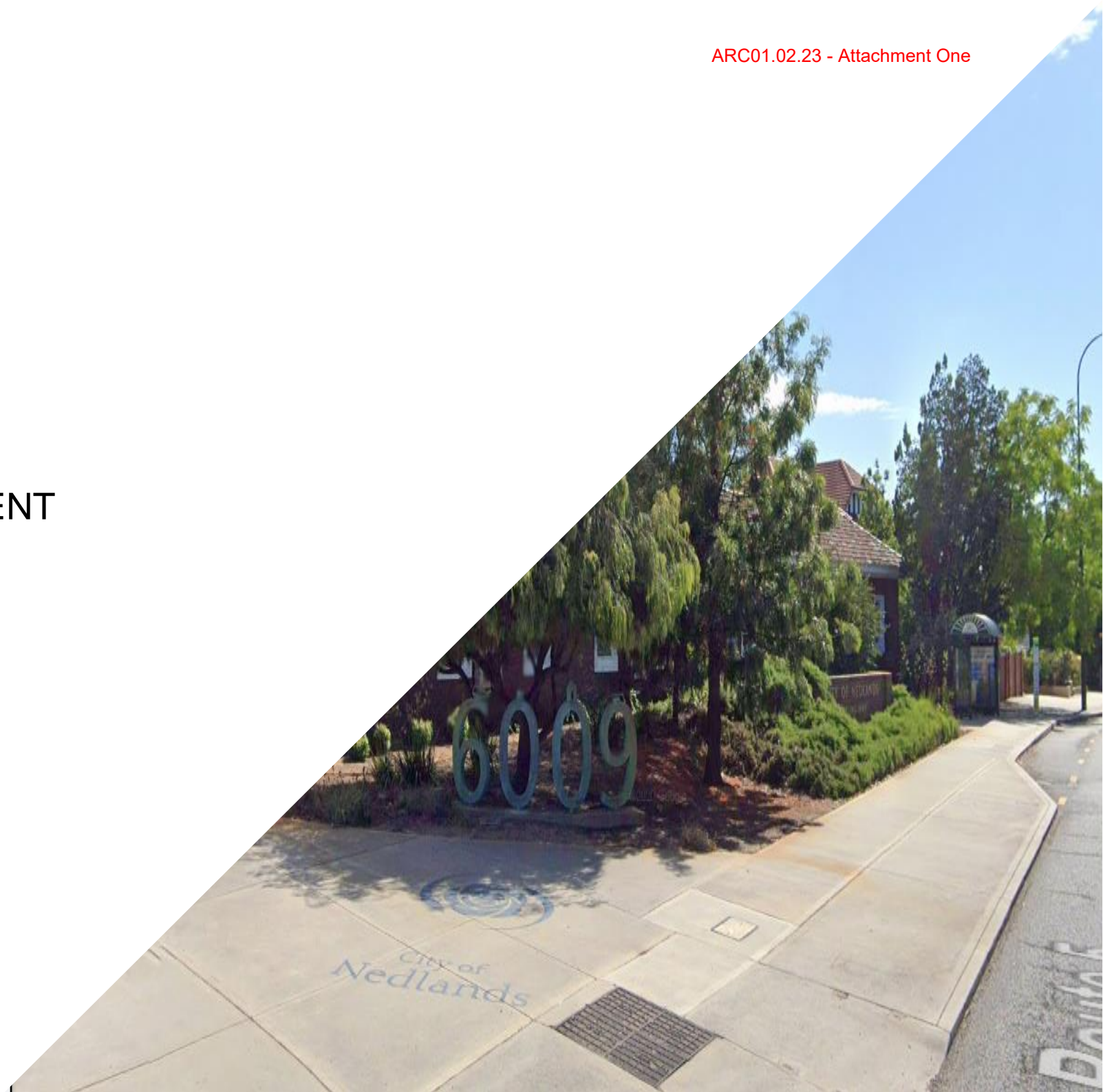
## Appendix 4: Asset Management



# INTERNAL AUDIT ASSET MANAGEMENT

**City of Nedlands**

8 February 2023





# TABLE OF CONTENTS

1. EXECUTIVE SUMMARY .....	3
2. SCOPE AND APPROACH.....	7
3. OBSERVATIONS AND RECOMMENDATIONS .....	9
4 OTHER .....	25
APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING.....	26
APPENDIX 2: KEY PERSONNEL CONTACTED.....	27



# 1. EXECUTIVE SUMMARY

## 1.1. Context

The effective management of local government assets is crucial to the sustainable delivery of those services to meet the current and future needs of the community. Local governments are typically rich in assets and constrained in income, managing a large stock of long-lived assets. The key to an effective asset management is influenced by three factors: (1) the availability of Asset Management Policy, (2) a well-defined Asset Management Strategy, (3) and the completeness of the Asset Management Plans. The unification of these three factors is crucial to the successful delivery of services to meet the current and future needs of the local community. Asset Management helps Local Governments manage the stewardship of assets they are entrusted with.

The City of Nedlands has a large number of long-lived assets whereby the life cycle of these assets spans over decades. Due to its longevity, adequate maintenance should be performed over time to ensure that these assets are in their optimum state to sustainably deliver the required services to the community. It is also crucial that the planned maintenance is adequately budgeted and financed not just to fund the maintenance work but also to pay for the cost of repairs that may arise in the future as part of the wear and tear of these assets.

Asset planning is essential to ensure that assets are created, maintained, renewed, and retired or replaced at appropriate intervals to ensure continuity of services in line with chosen service levels.

The benefits of an effective Asset Management also include but not limited to:

- Improved community member's satisfaction by matching levels of service with what the community is entitled to;
- Cost savings from improved asset efficiency over the long term;
- Prolonged asset life span reducing replacement cost;
- Better sustainability and create opportunities to reallocate funds to other projects due to the cost savings achieved; and
- More transparency in decision making (stronger governance and accountability), including meeting regulatory and audit requirements.

The City has engaged Moore Australia to conduct an Internal audit to evaluate the adequacy and effectiveness of internal controls over asset management. Moore Australia (WA) Pty Ltd ("Moore Australia") performed the internal audit in line with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia Internal Audit Methodology.

This report presents our observations and recommendations arising from the internal audit performed. These observations and recommendations are presented, together with management's comments, in Section 3 Observations and Recommendations, and summarised below..

## 1.2 Overall Findings

We commend the City of Nedlands for the availability of the Asset Policy, Asset Strategy and the soon to be published Asset Management Plans documents. However, these documents will be revisited and updated as soon as possible to incorporate the requirements of the 'Asset Management Framework and Guidelines' for Western Australian Local Governments and to ensure that the contents are substantially aligned.

The recording of assets within asset registers are currently not consistent in the City and do not support the financial statements. Regular stocktakes and reconciliations to the financial statements are currently not performed and should be performed. Moreover, the City of Nedlands should implement strict internal controls pertaining to the physical verification of assets to minimise risk of financial losses caused by unaccounted assets or any missing assets from the City's premises.





# 1. EXECUTIVE SUMMARY (CONT.)

## 1.3. Summary of Results

There are four areas where we assessed the Asset Management Process. These areas are as follow: (1) Asset Policy, Strategy and Plans (2) Asset Physical Verification (3) Security and Control Measures and (4) Asset Registers and Records.

A summary of the enhancement opportunities against our view of the priority they may be given are identified in the below table. The results of our fieldwork are summarised in Table 1 below and detailed in [Section 3 – Observations and Recommendations](#) of this report

Risk Rating	Summary of Findings				Recommendations
	Total	High	Medium	Low	Total
Asset Policy, Strategy and Plans	5	-	3	2	1-6
Asset Physical Verification	2	-	2	-	7-10
Security and Control Measures	1	-	1	-	11
Asset Registers and Records	1	-	1	-	12
<b>Total</b>	<b>9</b>	<b>-</b>	<b>7</b>	<b>2</b>	

## 1.4. Related Internal Audits

We are not aware of any previous internal or external reviews of Asset Management.

## 1.5. Acknowledgment

We would like to thank the City's personnel for the assistance that has been extended during the engagement. Key personnel contracted are outlined in [Appendix 2](#).



# 1. EXECUTIVE SUMMARY (CONT.)

## 1.6. Summary of Results (cont.)

Summarised below are the key observations and recommendations identified during the engagement:

Category	Summary of Findings	Risk Rating
Asset Policy Strategy and Plans	<b>1. Adequacy of the Asset Management Policy, Strategy and Plans.</b> Although it is commendable that the City of Nedlands had prepared the relevant Asset Policy and the Asset Management Strategy along with the draft asset management plans, we believe that an update is required to reflect the alignment of these documents with the provisions of Asset Management Framework and Guidelines for Western Australian Local Governments.	MEDIUM
	<b>2. Periodic reporting requirements.</b> There is a lack of clarity on the enforcement of the reporting requirements for the Asset Management division of the City of Nedlands. Currently, the asset management division is not required to submit any reports regularly. It is a better practice guideline to ensure adequate reporting of divisional function to the executive management to promote awareness and evaluate results including the nature and extent of the internal control environment on these areas.	LOW
Asset Policy Strategy and Plans	<b>3. Adequacy of insurance coverage versus the fair value of assets.</b> There is a significant reliance from the insurance provider to determine and set the fair value of asset. The lack of assessment independent from the insurance provider may result to undervaluation of assets that are significantly lower than its replacement value or payout value in the event of any claim.	LOW
	<b>4. Budget adequacy for asset maintenance.</b> A huge percentage of maintenance allocations had a significant budget deficit. We also found that the operational budget was utilised to cover the shortfall as the overall maintenance budget was fully exhausted.	MEDIUM
	<b>5. Management of leased assets.</b> The City leased some its assets to third parties, but we found no detailed guidelines or procedures in place that could be reviewed to ensure that terms and conditions are complied with or whether these assets' maintenance schedules are current.	MEDIUM
Asset Physical Verification	<b>6. Asset stock take procedures.</b> Regular stock takes are not conducted within the City's premises to ascertain the physical existence and custody of the assets which will increase the likelihood of theft or missing assets resulting to potential financial losses in the future.	MEDIUM
	<b>7. Existence of physical assets within the City's premises.</b> During our physical inspection of the assets in the City's premises, we noted that assets are not tagged and numbered at all resulting to difficulty in tracing these assets using their own unique number reference along with the specific location on where these assets are located. This resulted to a number of assets that either could not be traced from the register to the physical site or vice versa.	MEDIUM



# 1. EXECUTIVE SUMMARY (CONT.)

## 1.6. Summary of Results (cont.)

Category	Summary of Findings	Risk Rating
Security and Controls Measures	<b>8. Adequacy of the security measures.</b> Although there were adequate security measures in place by the City of Nedlands, we found few exceptions during our visit. This includes a situation where the camera did not send any live footage of the admin building to the main control room at the time our physical inspection. The storage length of the different cameras varies from 8 to 24 days and are not consistent across locations.	MEDIUM
Asset Registers and Records	<b>9. Adequacy of asset recording keeping.</b> The City maintains multiple asset registers without preparing an Asset 'Master File' that can be used by all functions. There are two (2) different reports prepared; the 1 <sup>st</sup> report is for the financial records and the 2 <sup>nd</sup> report is for the operations and maintenance records – but the data in these reports do not match with each other including but not limited to the location, asset unique ID, asset cost, etc.	MEDIUM





## 2. SCOPE AND APPROACH

### 2.1. Objective and Scope

The objective of the internal audit was to assess the adequacy and effectiveness of internal controls over asset management.

The scope included consideration of the following:

- Asset Management Framework, including policies, procedures key manuals;
- Asset Register and Portable and Attractive Assets Register;
- Insurance and safeguarding of Assets;
- Asset lifecycle management (i.e., planning, purchasing, inventories, usage, maintenance, disposal, and reconciliations);
- Management of leases (as lessee and lessor); and
- Extent of compliance with relevant legislation, and alignment with better practice standards, and OAG Tabled Reports.

The period of review will be from **1 July 2021 to 30 June 2022**.

### 2.2. Approach

The methodologies applied in this review were a combination of several audit techniques to match the agreed audit objectives and scope. This review was conducted with the following approach:

- Entrance meetings and discussions with relevant stakeholders;
- Interview and meeting with different process owners who are involved in the process to understand the current environment, challenges, and opportunities;
- Walkthrough of the process to identify the inherent risks along with the process-level internal controls to mitigate these risks;

- Limited site inspections and physical visits to client premises;
- Review of documents, sample testing, and data analytics where appropriate;
- Issuance of draft report to Management;
- Exit Meeting with Management to discuss key findings and recommendations;
- Receipt of Management feedback and comments; and
- Issuance of final report to the Audit and Risk Committee and Management.

### 2.3. Reporting

During the reporting phase of this engagement, we followed this process.

- Developed a draft report outlining our findings and recommendations;
- Validated the audit observations and the details of the draft report with process owners and responsible management;
- Held an exit meeting with the responsible Executive member and responsible management to discuss the report;
- Sought Management comments, action plans, timeline, and commitment to implement the audit recommendations; and
- Issued the final report to the Audit and Risk Committee.



## 2. SCOPE AND APPROACH (CONT)

### 2.4. Limitations of Scope

Our work is limited by the following:

- The scope of our services and any deliverables will be limited to carrying out internal audit assignments in accordance with the strategic internal audit plan approved by the Audit and Risk Committee. We will only cover the scope of work approved by the Audit and Risk Committee and unless additional areas are specifically agreed with the Audit and Risk Committee during the year;
- The scope of work for this engagement as approved by Management in our *Statement of Scope* signed on 23 August 2022;
- Due to the inherent limitations of any internal control structure, we do not warrant that all weaknesses, fraud, error, or non-compliance in your control structures were detected during the course of the Engagement;
- Any testing under the Engagement is performed on a sample basis and is not conducted continuously;
- Any projections as to the assessment of the control structures in future periods are subject to the risk that the structures may become inadequate as a result of changes in conditions, or that the degree of compliance with them may deteriorate;
- We conducted appropriate tests of key controls within our scope. Our findings only relate to the period of testing undertaken during our review and cannot be relied upon to be representative of the operation of control procedures prior to or after this period;
- Performed a walkthrough of the asset management processes to assess the effectiveness of controls in place and perform data analytics, where relevant and appropriate;
- The internal audit report was prepared on an “exception-basis”, which means we only provided commentaries on areas where we observed improvement opportunities on controls or enhancement to the compliance posture;
- The internal audit was predominantly performed remotely, with limited site visits and staff interviews performed. We have relied solely on the information and documentation provided to us by Management and Staff and have not performed a review on the authenticity of the information and documentation provided. There is a risk the information may have been altered prior to being provided to Moore Australia and there is a risk this may not be identified by Moore Australia. This may impact on the results reported within this report;
- We have not undertaken a review of the financial recording of road assets as this is covered during the external audit process;
- We have not included leased assets in our review, given that the current policy for the management of leased assets is in draft and not yet approved;
- The provision of internal audit services is an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standard Board, and consequently no opinions or conclusions are intended to convey assurance; and
- Our report is for your purposes only and not for publication, quoting or reliance by any other party.



### 3. OBSERVATIONS AND RECOMMENDATIONS

#### Asset Policy, Strategy and Plans

Adequacy of the Asset Management Policy, Strategy and Plans	Rating
<b>Finding 1. Minor improvements required for Asset Management Strategy, Policy and Plans</b>	<b>MEDIUM</b>

The key to an effective asset management process is influenced by several elements. In fact, these elements were clearly defined in the 'Asset Management Framework and Guidelines' for Western Australian Local Governments published on May 2011 ([Refer to link 'Asset Management'](#)) to include the following factors: (1) Asset Management Policy (2) Asset Management Strategy (3) Asset Management Plans (4) Evaluation of Process and Plans. All these elements should also be linked to the broader Strategic Community Plan, Corporate Business Plan with the Long-term Financial Plan acting as a conduit between these elements.

We reviewed the adequacy of the City of Nedlands' Asset Management Framework, Policy, Strategy and Plans and compared it with the requirements described in the above guidelines to identify any gaps wherever applicable. We found instances where the City's existing strategy and policy did not align against the guidelines as described below:

As per the guidelines of the Western Australian Local Governments	As per the City of Nedlands Existing Documents	Gaps identified between the guideline and the document maintained by the City
Asset Management Policy	Asset Management Policy published on 23 <sup>rd</sup> Feb 2021	<p>The City's Asset Management Policy was initially adopted in 2010, with reviews in 2012, 2015 and 2021. It is a very brief document, which essentially states that the City will ensure that it has funds for maintenance and refurbishment of assets and investment in new / upgraded assets. It is not sufficient to guide the development of the other documents required.</p> <p>The City's policy is insufficient and did not contain important information pertaining to:</p> <ul style="list-style-type: none"> <li>organisational context and importance of asset management;</li> <li>organisation's vision and goals for asset management;</li> <li>asset management responsibilities and relationships;</li> <li>broad time frames and deadlines;</li> <li>integration of asset management into the organisation's business processes;</li> <li>audit and review procedures; and</li> <li>no policies for the management of fleet, when to dispose of fleet assets, how to purchase fuel, etc.</li> </ul> <p>An Asset Management Policy outlines a local government's asset management objectives, targets and plans. It establishes a platform for service delivery and provides the framework that enables the Asset Management Strategy and Plans to be produced. The Asset Management Policy must support a 'whole of life' and 'whole of organisation' approach to asset management.</p>

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Adequacy of the Asset Management Policy, Strategy and Plans (cont.)	Rating
<b>Finding 1. Minor improvements required for Asset Management Strategy, Policy and Plans (cont.)</b>	<b>MEDIUM</b>

As per the guidelines of the Western Australian Local Governments	As per the City of Nedlands Existing Documents	Gaps identified between the guideline and the document maintained by the City
Asset Management Strategy	Asset Management Strategy 2019 – 2029	<p>The City does have an Asset Management Strategy which was drafted in 2019 as a 10-year strategy, however without an appropriate Asset Management Policy it cannot be demonstrated that it aligns to the City's objectives, targets, and plans.</p> <ul style="list-style-type: none"> <li>• The Asset Management Strategy must link the 'whole of life' costing for each asset class with the local government's annual budget and long term and operational financial planning;</li> <li>• Level of service is the defined service quality for a particular activity (i.e., roading) or service area (i.e., street lighting) against which service performance may be measured; and</li> <li>• Good governance and management arrangements ensure that asset management is adequately linked to service delivery.</li> </ul>
Asset Management Plan	The Asset Management are in draft stage and not yet published.	<p>Ensure that the contents of the plans are substantially aligned with the guidelines. Asset Management Plans should include:</p> <ul style="list-style-type: none"> <li>• Reference to an asset register (which records all assets and their location, acquisition, disposal, transfer, and other relevant transactions based on best current information and random condition / performance sampling);</li> <li>• Defined levels of service for each asset category or actions required to provide a defined level of service in the most cost-effective manner;</li> <li>• Demand forecasting;</li> <li>• Risk management strategies;</li> <li>• Financial information such as asset values, depreciation rates, depreciated values, capital expenditure projections for new assets because of growth, or to renew, upgrade and extend assets;</li> <li>• Strategies to manage any funding gaps;</li> <li>• Consideration of alternative service delivery solutions (leasing, private / public partnerships, shared services arrangements);</li> <li>• Information on 'whole of life' costing including changes in service potential for assets;</li> <li>• A schedule for asset performance review and plan evaluation;</li> <li>• An asset management improvement program; and</li> <li>• Clear linkages to other strategic documents such as the Corporate Business Plan, Long Term Financial Plan and Annual Budget.</li> </ul>

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Adequacy of the Asset Management Policy, Strategy and Plans (cont.)	Rating		
<b>Finding 1. Minor improvements required for Asset Management Strategy, Policy and Plans (cont.)</b>	<b>MEDIUM</b>		
<p>Overall, it is important to highlight that the City of Nedlands is keen to implement better practices related to Asset Management, however we still believe that the current documents do not fulfil the requirements of the Asset Management Framework and Guidelines for Western Australian Local Governments and must be updated to incorporate the other elements. Sustainability of assets should be managed so that the benefits of the services supported are available for future generations. They should also ensure that continuous improvement of asset management actions are added, which may range from data collection processes (e.g., condition grading of high criticality assets) through to process change (e.g., developing a capital works decision making framework).</p> <p><b>Implications</b></p> <p>Increase likelihood of noncompliance. Whilst we can clearly see that the City has been proactively developing the relevant framework, strategy, and policy, we are still of the opinion that these documents need to be reviewed as soon as possible, to ensure substantial alignment with the existing guidelines. This is not just to mitigate the associated risks involved around Asset Management but also to ensure that better practices, principles and procedures are embedded into the City's long-term objectives.</p>			
<b>Management Comment</b>			
<p>We agree with the Audit findings and are working to improve the overall Asset Management documentation and processes within the City. This is an ongoing process, and significant improvements have been made over the past 12-18 months. The Team are working on the next round of updates to the AMP's and associated documentation, strategy's and processes.</p> <p>Due to the current maturity of the City's Asset Management Practices this improvement process will continue over the next 3-5 years.</p>			
Recommendations	Agreed Action	Action Owner	Target Date
1. Review and update the existing Asset Management Policy, Asset Management Strategy to align with the guidelines with the <i>Asset Management Framework and Guidelines</i> for Western Australian Local Governments;	Undertake a review of the Asset Management Strategy after the SCP is endorsed.	Director Tech Services	December 2024.
2. Develop, approve and implement an Asset Management Plan. Ensure that the plan is linked to the strategy and the applicable policy. It should include the Lifecycle Management Plan details to address how the organisation plans to manage and operate the assets at the agreed levels of service while optimising life cycle costs;	Annually review and update Asset Management Plans for all major Asset classes (Roads, Footpaths, Drainage, Parks, Buildings).	Manager Assets	June 2023.



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Periodic reporting requirements	Rating		
<b>Finding 2. Undefined formal reporting requirement on matters related to asset management</b>	<b>LOW</b>		
<p>The City's Asset Management Strategy 2019 -2029, under Section 4 – Legislation, specifies compliance to the Western Australian Local Government Integrated Planning and Reporting Framework ("IPRF").</p> <p>Section 4.5 of the IPRF states that "all local governments in Western Australia are required to submit monthly reports of financial activity in line with regulation 34 of the Local Government (Financial Management) Regulations 1996. Most local governments include non-financial progress reporting monthly, which is consistent with good practice. At a minimum, this should be undertaken on a quarterly basis.</p> <p>We understand that the finance division is responsible for the financial reporting of assets, however, during interviews with the City's asset management and operational team, we found that there was no formal requirement for periodic reporting on the operations of assets that could be useful for timely decision making. There was also no reporting requirements that include the reconciliation difference between Financial and Operations asset records and the actions taken to bring these reports into an agreement.</p> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>• Management may not be well-informed resulting in poor decision making at a strategic level;</li> <li>• Officers are not held accountable for their activities and results; and</li> <li>• Poor value for money from the use of public funds.</li> </ul>			
<b>Management Comment</b>			
Reporting does occur on a monthly basis on a number of Asset Management themes / topics through the weekly CEO update. This report is currently immature and is under a review and improvement process over the coming months. Reporting is expected to improve on detail and maturity with the implementation of the Works and Assets module of One Council.			
Recommendations	Agreed Action	Action Owner	Target Date
3. Consider implementing a reporting process for key operational divisions responsible for the City's asset management to provide periodic reports showing status, activity, incidents, or any key information needed to improve asset management;	Develop an integrated reporting framework based on the current Asset Management Strategy, which will be reviewed and once the SCP is complete and a new AMS/P is in place.	Director Tech Services, Corporate Planning Officer	June 2024

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Adequacy of insurance coverage versus the fair value of assets	Rating
<b>Finding 3. Absence of internal asset valuation process to determine assets 'Fair Value'</b>	<b>LOW</b>

The practice of assessing the fair value of assets is important to ensure that the valuation of the assets owned by the City matches the market value as of a specific period. This is also important to evaluate the adequacy of the insurance coverage to minimise the financial risk due to unforeseen events.

From the documents we verified, the City maintains two (2) types of records. One record is the asset register in 'AssetFinda' that contains the list of assets for operations and maintenance use while the second record is the Trial Balance extracted from 'Authority' for finance use.

- We found that only the 'AssetFinda' contains Fair Value amounts and the Fair Value date – but the fair values were either more than 4 years or 8 years ago;

Category	Latest Fair Value Dates	Category	Latest Fair Value Dates
Buildings	30 Jun 2014	Park Assets	30 Jun 2018
City Infrastructure	30 Jun 2018	Park Boundary	NA
Drainage Catchment	None	Park Irrigation	None
Drainage Pipes	30 Jun 2018	Path Network	30 Jun 2018
Drainage Pit	30 Jun 2018	Road line	None
Drainage Plant	None	Streetlights	30 Jun 2018
Land Tenure	NA	Urban Trees	NA
Minor Plant	NA	Waste	None
Natural Areas	30 Jun 2018		
Off Street Park	Has fair value amounts but no fair value dates	Motor Vehicle	No separate report with fair value amount

- We also found that the value of motor vehicles valuation is performed by the LGIS template worksheet. LGISWA is the insurance provider where the City buys the protection of its assets; and
- The City uses LGIS self-insurance scheme for the insurance of assets. A representative from LGIS liaises with the officer responsible at the City for covering renewals or policy matters.

Overall, there is currently no internal process in place to ensure fair valuation of the City's assets. Reliance is placed on the knowledge of the LGIS representative to ensure coverage is sufficient.

#### Implications

Under insurance of assets, whereby in the event of a claim the full replacement cost of the asset may not be received.

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Adequacy of insurance coverage versus the fair value of assets (cont.)			Rating
<b>Finding 3. Absence of internal asset valuation process to determine assets 'Fair Value' (cont.)</b>			<b>LOW</b>
<b>Management Comment</b>			
<p>The revaluation cycle each class of asset revalued at least every 5 years is currently underway. Fleet vehicles were reviewed and valued at 2022/23 Insurance renewal based on Red Book Market valuations as recommended by LGIS Account Manager to ensure not underinsured. Buildings Register reviewed each year between revaluations every 5 years to ensure buildings replacement value covered on insurance renewal. LGIS do not provide valuations, rather they provide last year plant and buildings registers for review and updating based on market conditions etc.</p>			
Recommendations	Agreed Action	Action Owner	Target Date
4. Perform a fair value assessment of assets, independent from the valuation provided by the insurance provider. This can be done inhouse or outsourced to a qualified professional;	The 5 yearly revaluation cycle is just about to go to market for Infrastructure Assets (all infra classes). This process should be complete by the end of the financial year.	Manager Finance	June 23.





### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Budget adequacy for asset maintenance	Rating
<b>Finding 4. Maintenance Budget Limitations</b>	<b>MEDIUM</b>

A maintenance budget is an essential element of Asset Management. It sets out the expected cost of meeting maintenance objectives in a timely manner. The City's Asset Management Policy 23 February 2021 states, "Asset management is a key objective in the City's ten (10) year Strategic Community Plan and Strategic Plan and shall be incorporated into long term financial management plan. The City's strategic financial plan will ensure that:

- (a) Sufficient funds are allocated as a priority each year to operate, maintain and, refurbishment or replacement of existing assets throughout their lifecycle; and
- (b) Ensure funds are identified and allocated where appropriate for the investment in new or upgraded assets."

During our review of asset maintenance process, the Maintenance Coordinator stated in an interview that the maintenance budget allocation was not fully sufficient to expand maintenance activities therefore the division's operational budget was utilised to cover for shortfalls in the overall maintenance budget. We further analysed a report from the Finance Division, 'Year-To-Date ("YTD") for June 2021-22 Profit & Loss Data' which showed a total of 46 asset Maintenance Activity ("MA") actuals versus annual budget expenditures for years 2021 and 2022. The following inconsistencies were identified:

Over Budget Items:	Under Budget Items:
<ul style="list-style-type: none"> <li>• For the period reviewed, 34 MA spendings were over budget by \$6,378,645;</li> </ul>	<ul style="list-style-type: none"> <li>• 2 MAs had a total annual budget of \$60,000. but no actual spending for the period; and</li> </ul>
<ul style="list-style-type: none"> <li>• 33 out of the 34 MAs totaling \$6,349,385. had no budget allocation figures;</li> </ul>	<ul style="list-style-type: none"> <li>• 12 MAs were under budget by \$7,130,209.</li> </ul>
<ul style="list-style-type: none"> <li>• There was one MA for the period that exceeded the allocated budget by \$29,260;</li> </ul>	

Overall, the actual spending for the period reviewed was less than the total budget allocation by \$751,564. However, 74% of MA allocations individually had significant budget deficits.

#### Implications

Without proper planning and allocation of maintenance budgets, the City is likely to encounter delays in maintaining the assets which could eventually impact business continuity.

#### Management Comment

The issues with misallocation of maintenance budgets was identified by the Finance / OneCouncil team during the 2022/23 budget process. The misallocation has now been corrected.

Recommendations	Agreed Action	Action Owner	Target Date
5. Cost allocations for maintenance activities should be monitored on a timely basis to ensure that areas of significant variance in actuals and budget are adjusted appropriately and improved for the next financial period;	Maintenance budgets are monitored by Coordinators, and reported via the fortnightly Tech Services Managers meeting and monthly in the CEO week update.	Tech Services Managers	N/A Already completed

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Management of leased assets	Rating
<b>Finding 5. Lack of formal process in managing of leased assets</b>	<b>MEDIUM</b>

The activities in managing owner-occupied assets are different from the leasing of assets. Apart from the lease agreements, billing, and collection activities - there should also be clear guidelines on how to manage the maintenance and regular inspections of these assets to ensure that leased assets are used as per the terms of the lease agreement.

The City has several assets that are leased to different tenants at varying terms and duration. We selected a sample of five (5) assets and conducted a physical inspection to evaluate the conditions of these assets and the nature of the leasing activities within these premises.

Lease Asset	Register Lease Period = Actual Lease period?	Was the lease Signed?
Hollywood Subiaco Bowling Club Lease	Yes	Yes
Maisonettes Unit 4	Yes	Yes
Nedlands Golf Club Lease	Yes	Yes
Suburban Lions Hockey Club Lease	Yes	Yes
Tresillian Arts Centre Studio Lease 48-2	Yes	Yes

We also inquired with the Asset Manager and Coordinator Land and Property about the relevant guidelines followed when leasing these assets. We found that :

- The City does not have an approved operating policy and procedure for leased assets. A policy has been drafted but not yet published;
- There are no budget allocations for leased assets;
- There are no agreements or contributions for the City's ovals;
- Maintenance work done on leased properties by tenants are not inspected by the City; and
- No evidence of assessment of the condition of the property at the start and end of the occupancy period on completed leases. We found a few samples of leased facility inspection reports, for example – 'College Park Family Centre', but we received no available records for all leases in the past three (3) years.

#### Implications

Lack of proper management of leased assets can lead to the City having limited oversight on the operational condition and status of leased assets, which lead to potential write-offs or additional cost due to increased maintenance activities.



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Management of leased assets (cont.)			Rating
Finding 5. Lack of formal process in managing of leased assets (cont.)			<b>MEDIUM</b>
Management Comment			
This area has been identified as requiring improvement and development. A working group has been established to provide input into a new Leasing, Licensing, Exclusive Licensing and Hiring of Community Facilities Policy which provides guidance on maintenance requirements, inspections, and budget allocations. The new proposed policy would apply to all new leases entered into after the policy is endorsed by Council.			
Recommendations	Agreed Action	Action Owner	Target Date
6. Develop a formal guideline on leased assets that should include maintenance requirements, inspections, and budget allocations;	<p>The draft policy will be presented to Council at the Feb OCM for comment and approval to proceed to stakeholder consultation.</p> <p>A final draft of the policy will be presented to Council at the April OCM for endorsement.</p> <p>Budget allocations will then be made as part of the 23/24 budget process based on the outcome of the Policy adoption.</p>	Coordinator Land and Property and Manager Assets	June 2023

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Physical Verification

Asset stock take procedures	Rating		
<b>Finding 6. No practice of conducting periodic asset stock takes to verify existence of City's assets</b>	<b>MEDIUM</b>		
<p>To verify the existence of assets, it is important to conduct a periodic stock take e.g., every three (3) years. In fact, this guideline is also emphasized in the Western Australian Local Government Accounting Manual, Section 9 – Asset Accounting, states, under 9.1.6 Asset Inspection and Control - Asset Stock takes, “An effective way to ensure the reliability of an asset register is to conduct regular (at least every three years) physical stock takes and physically assessing what assets are still controlled by the local government. Various unique identification systems are commercially available to help with this process. Where discrepancies emerge from this physical assessment then these occurrences should be investigated to ensure control measures are sufficient to safeguard the local government’s assets and maintain the accuracy of the asset register.”</p> <p>We conducted interviews with key process owners i.e., Asset Manager, to evaluate the City’s alignment with the above guideline and to identify control gaps, if any. We also requested for the records of the previous stock takes conducted in the past five (5) years, however, we were informed that:</p> <ul style="list-style-type: none"> <li>• There were no asset stock takes conducted in the last five (5) years for all the asset categories;</li> <li>• No existing asset policy that mandates the regular stock take activity;</li> <li>• There is no plan to undertake the stock take soon; and</li> <li>• Roles and responsibilities about custody, storage, maintenance, and record keeping are not clearly defined in any existing asset management documents.</li> </ul> <p><b>Implications</b></p> <p>This increase failure to identify physical missing assets potentially caused by theft or by any other deliberate act.</p>			
<b>Management Comment</b>			
<p>Stocktaking is a key measure to ensuring assets are managed. The new asset register system within OneCouncil will be used to better track and manage the City’s portable and attractive items. An EMT decision has been made to focus on high value, portable and attractive items, with Managers to assist in stocktake and management of their teams’ items.</p>			
Recommendations	Agreed Action	Action Owner	Target Date
7. Conduct a periodic stock takes of at least every three years to verify asset physical existence. Consider splitting the stock take by asset category;	A program for periodic stock takes is to be developed and implemented.	All Managers – Manager Finance to take lead.	June 2023.
8. Embed the stock take requirements into the Asset Management Policy;	Stocktake of portable and attractive items will be included into the policy update at the time of update with the updated Assets Strategy (following the new SCP adoption).  An procedure will be developed and taken to EMT alongside the initial stocktake in June 2023	Manager Assets  Manager Finance	June 2024  June 2023



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Physical Verification

Existence of physical assets within the City's premises	Rating
<b>Finding 7. Instances of untraceable assets due to non-use of asset tags and numbers</b>	<b>MEDIUM</b>

Effective internal controls over asset management requires that any assets located in the City's premises should be traceable into the 'Asset Register' list anytime. The City of Nedlands maintains an 'Asset Register' that lists the complete number of assets in the City. This is managed by the Asset Manager who handles the administration and recordkeeping of these assets.

We conducted a visual inspection with the assistance of the Asset Manager to verify the existence of these assets at the (a) City Depot (b) Administration office and (c) inside the Library building, which we conducted on the 2nd Nov 2022 and on 8th Nov 2022. The results of our inspection revealed control gaps as follow:

- Nine (9) out of eleven (11) samples that are listed in the 'City Depot Asset Register' could not be located physically in the City Depot;

Asset #	Asset Description	Asset #	Asset Description	Asset #	Asset Description
10557	DR SITE Equipment Set up	11044	iPad Pro12.9" 256GB Grey	11091	Microphones_XL2 Audio & Acoustic Analyzer
10850	Electronic Whiteboard, 3x LG 32" Full HD	11072	New Projector & Screen Solution for Age	10956	FortiGate 300D Hardware plus_3 year
10944	Tablet iPad Pro 12.9 32GB Space Grey	11091	Microphones_XL2 Audio & Acoustic Analyzer	11072	New Projector & Screen Solution for Age

- Fourteen (14) out of fifteen (15) samples that are listed in the 'Admin Bldg. Asset Register' could not be located physically anywhere in the Admin Building;

Asset #	Asset Description	Asset #	Asset Description	Asset #	Asset Description
30414	HP DESKJET 670C Printer	30705	Nokia 6610 Mobile Phone & Leather Case	30001	Television – Colour Sony
30489	Panasonic 15" Multimedia LCD Monitor	30900	Mobile Phone Motorola V3X	30346	Sharp F01650 Fax Machine (CR SIMPSO...
30494	Notebook – Toshiba TECRA	11041	Workstation – At Nedlands Library	30355	Canon Video Camera (Health)
30704	Nokia 6610 Mobile Phone & Leather case	10268	Audio Visual system, Nedlands Library	30349	1 Digital PC
30413	Toshiba Satellite Pro 470CDT Pentiu	30188	Photocopier – Sharp SF8100 (MTCL LI		

- Four (4) items that include (Fisher & Paykel fridge), Hisense fridge, Dinamica Plus Coffee Machines) – can be found inside the kitchen area of the Office Admin building but couldn't be traced back to the 'Asset Register' as this is not on the list; and
- All items inspected physically did not contain any 'asset tag' or 'asset numbers', that uniquely identify these assets which cause difficulty in validating as we have to rely on the item description or brand name to match it to the Asset Register listing.

#### Implications

Weak internal controls in asset management could increase the risk of asset loss or theft resulting in financial losses. This could also increase the risk of failure to effectively facilitate service delivery to the local communities particularly in situations where assets could not be located.



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Asset Physical Verification			
Existence of physical assets within the City's premises (cont.)			Rating
Finding 7. Instances of untraceable assets due to non-use of asset tags and numbers (cont.)			<b>MEDIUM</b>
Management Comment			
The City agrees with this finding and has identified that the One Council solution will assist in the management of portable and attractive items.			
Recommendations	Agreed Action	Action Owner	Target Date
9. Implement an asset tagging process to ensure that assets are identified uniquely and can be traced to the Asset Register. At a minimum, the asset tags should include the asset number reference and / or asset category reference;	Portable and attractive items inventory to be updated and a stock take to occur. All items on the Portable and Attractive item register to be tagged.	Manager Finance, Manager IT.	December 2023.
10. Validate unrecorded assets and include in the Asset Register;	Finance to coordinate an update to the Portable and Attractive items register.	Manager Finance	December 2023.

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Security and Control Measures

<b>Adequacy of the security measures</b>	<b>Rating</b>
<b>Finding 8. Access and security controls gaps noted during inspection</b>	<b>MEDIUM</b>

The adequacy of security and access controls within the City’s premises is critical in preventing and detecting unauthorised entries or movements within the area. This also decreases the risk of susceptibility to theft of high-value assets particularly the artwork, electronic equipment, expensive mobile phones, or iPads, that could be easily taken from the City’s admin office or from anywhere within the City’s jurisdictions where these assets are kept.

- A. We physically inspected 10 locations on the 8<sup>th</sup> of Nov 2022 where high-value assets are located to verify the installed security systems such as CCTV cameras, biometrics, and swipe card access controls. The results were noted in the below table; and

Security Measures in Place	Audit Observations During the Visual Inspection	Recommended Actions
CCTV Camera	Working and in good condition. Noted some dust particles on the lenses	Consider cleaning the camera lenses twice a year.
Swipe Card controls	Working and in good condition	None
Control Room at City Depot	The City uses a software named ‘NUU’. At the time of audit visit, the surveillance monitor did not display the live camera footage for the ‘Admin Building’ and was blacked out – not transmitting live video to the monitoring screen.	Call the software provider and request to fix the camera footage immediately.
Personnel in the Main Control Room	There is only one personnel assigned in the main control room. No alternate staff and admin access privileges was also managed by the same staff.	Consider providing addition admin privileges to another staff as a backup control to mitigate risk in situations where the main personnel is on vacation or will be absent from work for unknown reasons.
Storage of camera recording	Inconsistent recording of cameras. Per interview with the Main Control personnel, we were informed storage of recording is for 24 days for Depot and 8 days for Admin office – due to lack of storage capacity of the backup drives.	Increase storage capacity to increase length of recording to at least 30 days for all locations.

- B. We also found that the back gate – intended to be used as a 2nd gate in the City Depot – was locked with a chain and a padlock and is not being used anymore (Appendix 3). The pathway was also obstructed by a damaged truck which may prevent entry and exit of vehicles in an event of an emergency like fire, or similar incidents.

**Implications**

The absence of proper security control measures will increase risk of financial losses caused by theft, unaccounted missing items, or abandoned assets.



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Security and Control Measures			
Adequacy of the security measures			Rating
Finding 8. Access and security controls gaps noted during inspection			<b>MEDIUM</b>
Management Comment			
The City does not believe that issues surrounding how CCTV and security are managed should form part of the scope of an Asset Management Audit. Although some items raised are valid in the context of the way the City manages CCTV, this should not form part of this audit.			
Recommendations	Agreed Action	Action Owner	Target Date
11. Contact the CCTV software provider to fix the monitoring screen in the main control room and request additional storage capacity for the backup of camera recording. Implement the other recommendations described point A and B above;	<p>Storage duration to be increase to meet minimum legislative requirements.</p> <p>Additional staff to be trained and given access to the security system.</p> <p>Camera feed for the Administration building to be repaired.</p> <p>The vehicle gate is not in use, and not intended to be used as a second access point and there is no requirement for it to be unlocked in business as usual. In unusual circumstances or emergencies, the gate could be used, noting that a pedestrian emergency exit is co-located with this gate.</p>	<p>Manager IT</p> <p>Manager City Projects and Programs</p>	June 23.





### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Registers and Records

Accuracy of asset record keeping	Rating
<b>Finding 9. Lack of reconciliation process amongst multiple 'Asset Registers' used</b>	<b>MEDIUM</b>

Proper recording of assets, maintained in one 'Master File', is an example of a good internal control. If multiple records are maintained for these assets, a reconciliation process should be in place to ensure that there is a link between the assets to easily track additions, modifications, or deletions. The results of the reconciliation could easily identify differences between these registers that should be investigated.

The City has two (2) existing reports where assets are being listed and tracked. The first one is the CVR Trial Balance generated from the Software 'Authority', and the second report is generated from the 'Asset Finda' software. Both reports contain data such descriptions, category, cost and other information about the asset. We matched these reports and noted that the asset details did not match between the reports.

- We compared the samples in the below table, and we found that:

I. The closing balance reflected in 'Authority' is different from the purchase cost reflected in the 'AssetFinda'; and

II. The asset ID is different between the two reports;

CVR Trial Balance (Software Authority)		Register Extracted from "Asset Finda"			
CVR Category	Description	Closing Balance	Asset ID	System Name	Purchase Cost
200105	Allen Park Lower Pavilion and Changeroom	441,966.58	B0601	Allen Park Lower Pavilion – Fitout	985,459
200205	Allen Park Lower Pavilion and Changeroom	87,927.05	B06	Allen Park Lower Pavilion – Structure	55,524.05
200305	Allen Park Lower Pavilion and Changeroom	619,216.28	B0603	Allen Park Lower Pavilion – Roof	42,715
200112	Mt Claremont Community Centre Structural	850450.52	B43	Mt Claremont Community Centre – Structure	26,153.27
200212	Mt Claremont Community Centre Fitout	601576.04	B4301	Mt Claremont Community Centre – Fitout	0.00
200312	Mt Claremont Community Centre Mechanic	634261.51	B4302	Mt Claremont Community Centre – Mechanical	0.00
200412	Mt Claremont Community Centre Roof	485023.51	B4303	Mt Claremont Community Centre – Roof	0.00

- Based on our further discussions with the Asset Manager, we were informed that the trial balance from 'Authority' is being used by finance while the 'AssetFinda' report is being used by the maintenance department who performs checks, repairs, and any other preventive maintenance tasks to ensure that the asset is in good working condition for optimum use. However, we could not find any evidence of reconciliation conducted to match the details between these two (2) reports;
- We also found that the City does not maintain a 'Master File' combined for all the asset registers. There are multiple registers maintain, each has a different purpose. This includes the (1) Minor Assets Register – manual register for portable assets mainly consisting of electronic items and equipment, and (2) Mobile Device Register – list of all mobile devices used by the City. However, both registers have incomplete details where the 'Assigned To', 'Location' and 'Custodian' are empty in most of the items in the list; and
- From our review of the various asset registers from AssetFinda and Authority as well as extracts provided by the Finance Officer, there is no consistent complete list of asset additions in the period. The "additions" per the AssetFinda system are not the same as those in the "Authority" system

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Registers and Records

Accuracy of asset record keeping (cont.)			Rating
<b>Finding 9. Lack of reconciliation process amongst multiple 'Asset Registers' used (cont.)</b>			<b>MEDIUM</b>
<b>Implications</b>			
Having numerous asset registers with unreconciled records increases the risk of error, misrepresentation of financial records, inability to locate or track assets and possible loss of assets.			
<b>Management Comment</b>			
We acknowledge there are currently two Asset registers in use at the City. The implementation of the Works and Assets module of One Council will consolidate these two registers.			
Recommendations	Agreed Action	Action Owner	Target Date
12. Consider merging all Asset Registers into one to ensure a consistent approach as a single source of truth in the City which supports the financial statements; and	Consolidation of the two Asset registers is underway with the implementation of the Works and Assets module of One Council.	Manager Assets and Manager Finance	December 23
13. Reconcile the asset register used for financial records against the asset register used for operations and maintenance to identify missing items that warrants adjustments in the financial books.	Consolidation of the two Asset registers is underway with the implementation of the Works and Assets module of One Council.	Manager Assets and Manager Finance	December 23



## 4 OTHER

### 4.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

### 4.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party;
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report;
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist;

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis; and
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

### 4.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

### 4.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.

## APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING

Rating	Definition	Guidance	Action required
<b>High</b>	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	<ul style="list-style-type: none"> <li>• Material errors and departures from the organisation's policies and procedures;</li> <li>• Financial management / accountability / probity concerns;</li> <li>• Non-compliance with governing legislation and regulations may result in fines or other penalties; and</li> <li>• Collective impact of many moderate or low issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance; and</li> <li>• A detailed plan of action to be approved by Management with resolution within 30 days.</li> </ul>
<b>Medium</b>	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	<ul style="list-style-type: none"> <li>• Events, operational, business, and financial risks could expose the organisation to losses could be marginally material to the organisation; and</li> <li>• Departures from best practice management procedures, processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires substantial management intervention and may require possible external assistance; and</li> <li>• Timeframe for action is subject to competing priorities and cost benefit analysis but should not exceed 3 months.</li> </ul>
<b>Low</b>	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>• Events, operational and business risks could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation, and regulatory compliance; and</li> <li>• Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires management attention and possible use of external resources; and</li> <li>• Minor treatment is desirable. Action should be completed within 6 months.</li> </ul>



## APPENDIX 2: KEY PERSONNEL CONTACTED

We would like to thank the following personnel for their assistance in the conduct of this internal audit. These are presented in alphabetical order by surname.

Name	Role
Tony Benson	Manager ICT
Stuart Billingham	Manager Financial Services
Mike Cole	Director Corporate Services
Steve Crossman	Coordinator Fleet
Nalin Dias	Information Technology (IT) Governance Coordinator
Finn MacLeod	Manager Assets
Peter Scasserra	Coordinator Land and Property
Marcus Sinden	Building Maintenance Coordinator
Jason Spyker	Coordinator Civil Maintenance
Daniel Kennedy-Stiff	Manager City Projects and Programs
Daniel Wong	Finance Officer (AR, Assets & Insurance)

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The information provided in this document is for general advice only and does not represent, nor intend to be advice. We recommend that prior to taking any action or making any decision, that you consult with an advisor to ensure that individual circumstances are taken into account.

## 9.2 ARC02.02.23 Internal Audit - Financial Management Review

<b>Meeting &amp; Date</b>	Audit & Risk Committee – 20 February 2023
<b>Applicant</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Report Author</b>	Stuart Billingham – Manager Financial Services
<b>Director</b>	Michael Cole Director Corporate Services
<b>Attachments</b>	1. Financial Management Review 2023 - See appendix 2 of Item ARC01.02.23 Moore Aust Report

Moved – Councillor Senathirajah  
Seconded – Councillor Combes

**That the Recommendation be adopted.**  
(Printed below for ease of reference)

**CARRIED 3/1**  
**(Against: Cr. Mangano)**

### Committee Recommendation / Recommendation

That the Audit & Risk Committee recommends that Council:

1. notes the auditors report on the review of the City's financial management and procedures; and
2. notes the management responses to those comments and recommendations.

### Purpose

To present to the Audit & Risk Committee the Auditor's report on the appropriateness and effectiveness of the financial management systems and procedures at the City of Nedlands.

### Voting Requirement

Simple Majority.

### Background



1. The *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c), requires the Chief Executive Officer to undertake Financial Management Reviews regularly (and not less than once in every three years). The main purpose of a Financial Management Review (FMR) is to examine the appropriateness and effectiveness of the financial management systems and procedures of the City.
2. Through a formal request for quote process, Moore Australia (WA) Pty Ltd was appointed to undertake the financial management audit. The audit covered the period ending December 2022.
3. The Auditors report did not find any major issues with processes however matters for improvement were identified as shown in the table below:

Risk Rating	Summary of Findings				Recommendations
	Total	High	Medium	Low	Total
Purchase Payments and Payables	1	-	1	-	1 - 2
Bank Reconciliations	1	-	-	1	3 - 4
Trust Funds	1	-	1	-	5 - 7
Contract and Tender Register	1	-	1	-	8 - 9
Investments	1	-	-	1	10
Purchasing Cards	5	-	4	1	10 - 17
<b>Total</b>	<b>10</b>	<b>-</b>	<b>7</b>	<b>3</b>	

## Consultation

Moore Australia (WA) Pty Ltd, Director Corporate Services, Manager Financial Services, Senior Project Accountant, Coordinator Revenue, Finance Officer Revenue, Finance Officer Accounts Payable and Coordinator Procurement and Contracts.

## Strategic Implications

This item relates to the following elements from the City's Strategic Community Plan.

**Vision** Our city will be an environmentally sensitive, beautiful and inclusive place.

**Values** **High standard of services**  
We have local services delivered to a high standard that take the needs of our diverse community into account.

**Great Governance and Civic Leadership**

We value our Council's quality decision-making, effective and innovative leadership, transparency, accountability, equity, integrity and wise stewardship of the community's assets and resources. We have an involved community and collaborate with others, valuing respectful debate and deliberation.

## **Budget/Financial Implications**

There are no budget or financial implications to this report.

## **Legislative and Policy Implications**

The following legislation is adhered to:

[Regulation 5\(2\)\(c\) of the Local Government \(Financial Management\) Regulations 1996](#)

## **Decision Implications**

Nil.

## **Conclusion**

That the Audit & Risk Committee recommends that Council:

1. notes the auditors report on the review of the City's financial management and procedures.
2. notes the management responses to those comments and recommendations.

## **Further Information**

Nil.



INTERNAL AUDIT  
FINANCIAL MANAGEMENT REVIEW

**City of Nedlands**

27 January 2023



# TABLE OF CONTENTS

- 1. EXECUTIVE SUMMARY .....3
- 2. SCOPE AND APPROACH .....5
- 3. OBSERVATIONS AND RECOMMENDATIONS.....7
- 4. OTHER.....26
- APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING .....27
- APPENDIX 2: KEY PERSONNEL CONTACTED .....28
- APPENDIX 3: PURCHASING CARDS PROCESS MAPS.....29



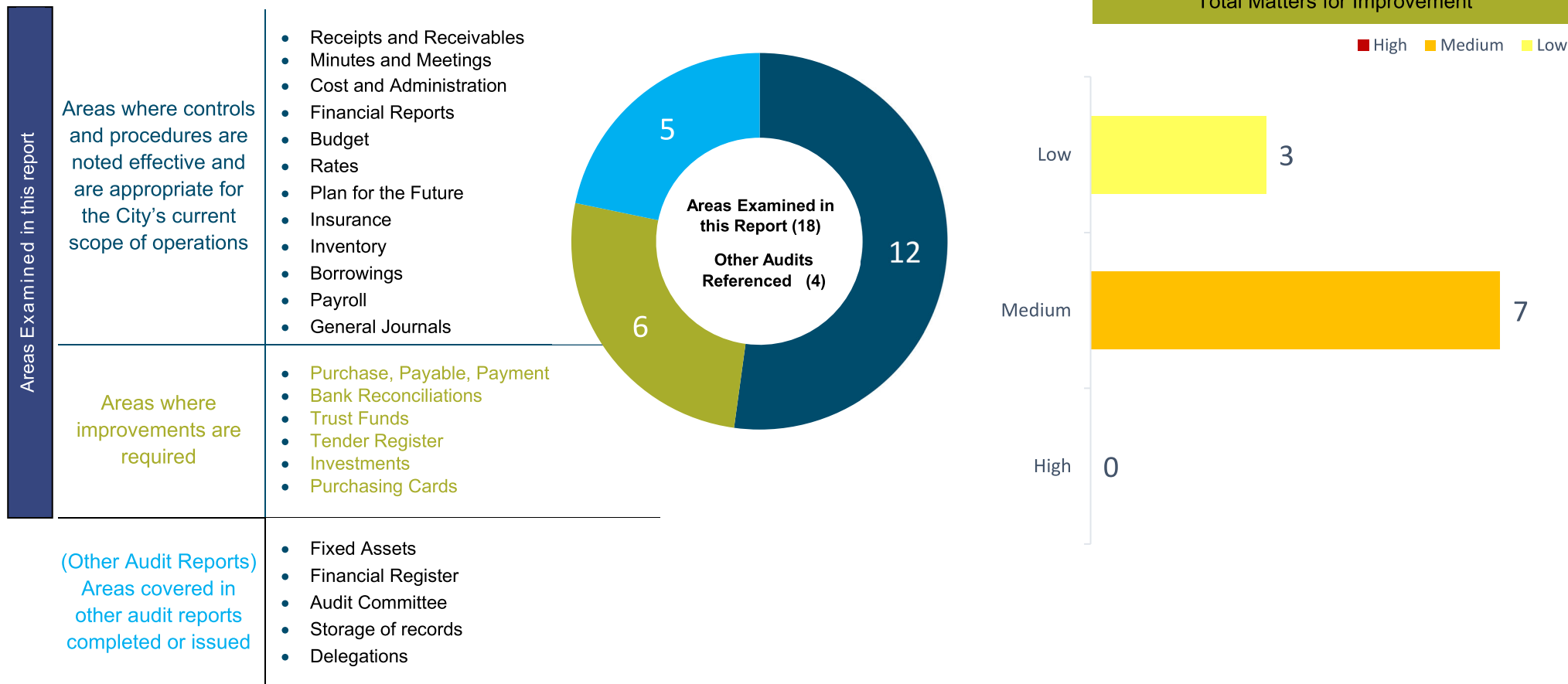
# 1. EXECUTIVE SUMMARY

## 1.1. Background

This review included a high-level understanding of the key financial systems that support the financial processes undertaken by the City and the performance of review procedures designed to evaluate the appropriateness and effectiveness of the control environment of the City's financial management system. The procedures performed for each area in respect of the review have been included in [Appendix 1](#). We did not necessarily examine compliance with provisions of the Act or Regulations, which were not financial in nature.

## 1.2. Overall Findings

Based on the review procedures performed, we did not find any major issues with the processes related to the Financial Management of the City. However, we found some matters for improvement with the corresponding rating summarised in the below chart. The details of the observations and the relevant recommendations can be found in [Section 3 Observation and Recommendations](#)



# 1. EXECUTIVE SUMMARY (CONTINUED)

## 1.3. Positive Observations

Throughout the course of the engagement, there are areas we noted to be commendable as part of this audit engagement. These include the following:

- Timely submission of the documents and information as part of the initial requirements.
- The willingness of the staff involved in this audit to immediately implement the recommendation as identified wherever applicable during this audit to ensure that procedures are aligned with existing better practices.

## 1.4. Related Internal Audits

We have requested but we have not received a copy of the previous Financial Management Review

## 1.5. Acknowledgement

We would like to thank the City's personnel for the assistance that has been extended during the engagement. Key personnel contracted are outlined in [Appendix 2](#).

## 1.6. Summary of Results

The table below presents the results where matters for improvement are identified. Details are reflected in [Section 3 Observation and Recommendations](#).

Risk Rating	Summary of Findings				Recommendations
	Total	High	Medium	Low	Total
Purchase Payments and Payables	1	-	1	-	1 - 2
Bank Reconciliations	1	-	-	1	3 - 4
Trust Funds	1	-	1	-	5 - 6
Contract and Tender Register	1	-	1	-	7 - 8
Investments	1	-	-	1	9
Purchasing Cards	5	-	4	1	10 - 16
<b>Total</b>	<b>10</b>	<b>-</b>	<b>7</b>	<b>3</b>	

## 2. SCOPE AND APPROACH

### 2.1 Objective and Scope

The objective of our review as outlined in our engagement letter dated 9 November 2022 is to provide a report, based on our understanding of the City and associated risks, to the Chief Executive Officer on the appropriateness and effectiveness of the City's financial management systems and procedures as required by Financial Management Regulation 5(2)(c). To this end, we examined the following financial systems and processes of the City covering the period 1 July 2021 to 30 June 2022 as agreed with the City's Management. **The areas reviewed are listed below:**

• Purchases, Payments, and Payables	• Plan for the Future
• Receipts and Receivables	• Tender Register
• Payroll	• Budgets
• Rates	• Insurance
• Bank reconciliations	• Borrowings
• Trust Funds	• Inventory
• Cost and Administration Allocations	• Investments
• Minutes and Meetings	• General Journals
• Financial Reports	• Purchasing cards*

### 2.2 Detailed Review of Purchasing Cards\*

A detailed review was performed for the purchasing cards in accordance with a Statement of Scope signed 21 October 2022. The scope for this element of the engagement is:

- Management of purchasing cards on recruitment and termination;
- Volume of purchasing cards within the City;
- Roles and responsibilities, including segregation of duties;
- Review of policies, procedures, manuals, and guidelines that govern the management of purchasing cards, and reporting of non-compliances
- Delegations of authority for management, usage, and approval
- Value for Money, Efficiency, and Risk, where possible;
- Acquittal process of purchasing card transactions;
- Compliance with legislation and better practice principles and OAG tabled reports

### 2.3 Reference to Previous Reports

The review did not include detailed procedures performed in prior internal audits and those performed in recent times. Readers should refer to these reports for details of work performed and results of the reviews. These include:

• Fixed Assets	Asset Management Audit
• Financial Register	Conflict of Interest Audit
• Audit Committee	Review of Effectiveness of the Audit and Risk Committee
• Storage of records	Records Management Audit
• Delegations	Regulation 17 Audit

### 2.4 Approach

The methodologies applied in this review were a combination of several audit techniques to match the agreed audit objectives and scope. This review was conducted with the following approach:

- Entrance meetings and discussions with relevant stakeholders;
- Interview and meeting with different process owners who are involved in the process to understand the current environment, challenges, and opportunities;
- Review of the policies and procedures;
- Review of documents and sample testing where appropriate;
- Issuance of draft report to Management;
- Exit Meeting with Management to discuss key findings and recommendations;
- Receipt of Management feedback and comments; and
- Issuance of final report to the Audit and Risk Committee and Management.

## 2. SCOPE AND APPROACH

### 2.5 Limitations of Scope

Our work is limited by the following:

- The scope of our services and any deliverables will be limited to carrying out internal audit assignments in accordance with the strategic internal audit plan approved by the Audit and Risk Committee. We will only cover the scope of work approved by the Audit and Risk Committee and unless additional areas are specifically agreed with the Audit and Risk Committee during the year;
- The scope of work for this engagement as approved by Management in our Statement of Scope signed on 9 November 2022;
- Due to the inherent limitations of any internal control structure, we do not warrant that all weaknesses, fraud, error, or non-compliance in your control structures were detected during the course of the Engagement;
- Any testing under the Engagement is performed on a sample basis and is not conducted continuously;
- Any projections as to the assessment of the control structures in future periods are subject to the risk that the structures may become inadequate as a result of changes in conditions, or that the degree of compliance with them may deteriorate; and
- We conducted appropriate tests of key controls within our scope. Our findings only relate to the period of testing undertaken during our review and cannot be relied upon to be representative of the operation of control procedures prior to or after this period.
- The review constitutes an advisory engagement which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standard Board and, consequently no opinions or conclusions are intended to convey assurance, either expressed or implied.

### 2.6 Summary of Results

The table below shows a summary of findings within this report.

Findings		Governance	Information Systems	People	Process	Total FMR Findings
1	Purchase Payments and Payables	-	-	-	1	1
2	Bank Reconciliations	-	-	-	1	1
3	Trust Funds	-	-	-	1	1
4	Contract and Tender Register	-	-	-	1	1
5	Investments	-	-	-	1	1
6	Purchasing Cards	1	-	1	3	5
<b>Total</b>		<b>1</b>	<b>-</b>	<b>1</b>	<b>8</b>	<b>10</b>

### 2.7 Reference to Previous Internal Audit Reports

The table below shows the observations in the previous internal audit engagements that are referenced in this audit report. This report should be read in accordance with these reports.

Tabled Reports		FY	Governance	Information Systems	People	Process	Total Internal Audit Findings
1	Asset Management	2022	4	1	-	4	9
2	Effectiveness of Audit and Risk Committee	2022	4	-	5	5	14
3	Records Management	2021	5	1	1	2	9
4	Regulation Engagement 17	2022	6	-	2	4	12
<b>Total</b>			<b>19</b>	<b>2</b>	<b>8</b>	<b>15</b>	<b>44</b>



### 3 OBSERVATIONS AND RECOMMENDATIONS

#### PURCHASES, PAYMENTS, AND PAYABLES

Effectiveness of internal controls on purchase, payments, and payables	Rating
<b>Finding 1. Control gaps in purchase order and quotation requirements</b>	<b>MEDIUM</b>
<p>We reviewed the policies and procedures applicable to the purchases, payments, and payables to ensure that it is aligned as per the requirements of the financial management regulation. We also selected and tested a sample of transactions to determine whether purchases were authorised, and payments were supported, invoices and correctly allocated. Our test on the samples revealed few exceptions as follow:</p> <ul style="list-style-type: none"> <li>A. We found instances where the PO amount did not match the invoice amount. This error was due to the Purchase Order where it reflects the amount as inclusive of GST instead of adding it separately. This variation normally should not occur in the transaction between the purchase order and the invoice if the controls are working effectively. However, the City's Purchasing of Good and Service policy on variations between the Purchase Order and the Invoice requires to amend purchase order if the variance is above 10% or \$1,000 or higher. In the exception identified, it requires no amendment on the PO as it is lower than the threshold.</li> <li>B. Instances were noted where the Purchase Order for kitchen supplies included items that are classified as IT equipment which should have been excluded.</li> <li>C. Instances were noted where the minimum 3 quotations requirement (for \$40,000 to \$149,999 threshold) were not met. Although four (4) suppliers were invited but only (two) 2 provided the quotations while the remaining two did not meet the deadline – but there was no evidence of follow up sent to these suppliers or any evidence of rejection letters from the Supplier explaining the justification of refusal to provide quotation.</li> </ul> <p><b>IMPLICATION</b></p> <p>Unauthorised payments if payments do not align to approved purchase orders. Inaccurate financial management information</p>	
<b>Management Comment</b>	
<p>Purchases, Payments, and Payable internal controls and processes (officer training) to be improved to resolve GST (point A) and Classification (point B) issues identified above.</p> <p>Monitoring to be increased by Finance Department of Organisational compliance with City Purchasing Policy (Point C).</p> <p>If suppliers do not provide quotation, then unlikely supplier will provide explanation why they did not provide quote, hence also unlikely they will also provide rejection letter. It is noted that this is not a statutory requirement, however considered best practice and the City officer will seek feedback where possible.</p>	

Recommendations	Agreed Action	Action Owner	Target Date
1. Ensure that the purchase order category is accurate when procuring the services or goods. Consider implementing a 3-way match between (PO, Invoice and Payments).	1.Procedures to be improved to ensure correct category selected when procuring services or goods in future. 3 way matching (PO, Invoice and Payment) to be investigated in One Council if possible and implemented.	Manager Financial Services	June 2023
2. Ensure adherence to the policy of minimum quotations. Obtain evidence of refusal if the Supplier could not provide the quotation.	2. Finance Department to increase monitoring of Organisational compliance with City Purchasing policy.		

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### BANK RECONCILIATIONS

Accuracy and Completeness of Bank Reconciliations			Rating
<b>Finding 2.</b>	<b>Inconsistencies in the signoffs of the bank reconciliation and few unresolved long outstanding reconciling items</b>		<b>LOW</b>
<p>We reviewed the procedures related to bank reconciliations and examined samples to ensure that bank reconciliations are complete and timely. Our review of the samples revealed minor gaps as follow:</p> <p>A. There was an inconsistency in the review of the bank reconciliation monthly approvals. Although we noted the bank reconciliation was prepared and complete for the entire duration of the period under review (Jul 2021 to Jun 2022), we noticed that there were no documented signoffs from the Manager Financial Services on the four (4) months of the bank reconciliation from March 2022 to Jun 2022 as required by City's procedure. This reduction in the number of approvals is a change in the review controls that should have been reflected in the procedure.</p> <p>B. The bank reconciliation of the Municipal bank account has long outstanding reconciling items that are dated back to 2018 and are still included in the year 2022 bank reconciliation. Although, we were informed by the Officer in charge of the bank reconciliation these reconciling items are currently being reviewed and adjustments will be made on these items, we believe that this should be completed immediately soon to close out long outstanding reconciling items. The independent approval of the bank reconciliation should have requested this to be performed in a more timely basis as sound financial management controls, and to identify fraud, corruption and error on a timely basis. In saying this we do not doubt the integrity of Management or staff members.</p> <p><b>IMPLICATION</b></p> <p>Documented signoffs is a key approval control and the absence of which may indicate a lack of review which will eventually increase likelihood of undetected fraud, corruption and errors within the City.</p>			
<b>Management Comment</b>			
<p>A. Bank Reconciliations since March 2022 no longer reviewed by Manager Financial Services, moving forward bank reconciliations now prepared by Finance Officer- Revenue and reviewed by either Coordinator – Revenue or Senior Accountant independent of preparer. Internal operational procedures now updated to reflect change in Officer reviewing Bank Reconciliations each month City Procedure. In absence of reviewing officer Finance Manager still reviews and signs off.</p> <p>B. Long outstanding Bank Reconciliation items back to 2018 are being reviewed and addressed and majority of items appear to be bonds unrepresented stale cheques to be cancelled and new method of payment to be arranged such as EFT.</p>			
Recommendations	Agreed Action	Action Owner	Target Date
3. Update the procedure to mention signoff requirements in bank reconciliation to ensure consistency.	Procedures to be updated	Manager Financial Services	June 2023

<p>4. Review and resolve the long outstanding reconciling items that are more than 1 month.</p>	<p>Old outstanding items to be addressed. Contact payees to advise unclaimed stale cheques cancelled and advise alternative means of payment wherever applicable such as EFT.</p>		
---	---	--	--

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### TRUST FUNDS

Managing and Maintenance of Trust Fund Account		Rating
<b>Finding 3.</b>	<b>Lack of adequate controls for trust funds</b>	<b>MEDIUM</b>
<p>We reviewed the procedures and examined through testing a sample of receipts and refunds to determine proper accountability specific to the trust fund accounts. Our test revealed few observations as follow:</p> <p>A. No detailed breakdown of the accounts in the Trust Fund Register. As of June 2022, there were seven (7) accounts reflected in the 'Trust Monthly Reconciliation' that include (1) Footpath deposits (2) Halls bonds (3) Key bonds (4) Miscellaneous (5) Tresillian bonds (6) Unclaimed monies (7) Subdivision crossover bonds.</p> <p>However, the detailed breakdown of these accounts was not attached to the recon statement as we have to request for the account details separately. On a sample basis, we verified details of Footpath deposits, unclaimed monies and miscellaneous account – and found that there were balances in 2002 &amp; 2005 for miscellaneous, and balances in 2007 &amp; 2008 for unclaimed monies. A major portion of this balance represents unclaimed or cancelled cheques but there was no evidence of notification sent to the account holders informing payees of the alternative means of action to be taken to claim these monies.</p> <p>B. Documented signoffs evidencing review and approval of the trust fund reconciliation was also reduced from three (3) to two (2) Officers without the Manager Financial Services signature on reconciliations from February 2022 to June 2022. <i>We were informed that the change in signoffs was decided earlier where the signoff by the Manager Finance was not required and wasn't adding any value. We were also informed that the signoff process was changed where one officer will prepare the recon and the coordinator will signoff – but in the absence of the coordinator – the Manager will signoff.</i> This change in the review process should be included in the procedure wherever applicable.</p>		
<p><b>IMPLICATION</b></p> <p>Non-compliance with legislation</p> <p>Without a separate trust fund account maintained, this could increase the risk of transactions being combined with the regular funds leading to difficulty in accounting for trust funds particularly for old deposits or bonds.</p>		
<p><b>Management Comment</b></p> <p>A. Trust Funds actually now called “Bonds and Deposits” since 2019 old balances to be investigated and resolved</p> <p>B. Reconciliation Procedure to be updated to reflect new review process adopted</p>		

Recommendations	Agreed Action	Action Owner	Target Date
<p>5. Ensure regular availability of the detailed breakdown of trust funds and include it in the trust fund reconciliation document. Review the long outstanding recon items and check if these are still valid or not. Contact payees to advise unclaimed cheques and advise alternative means of payment wherever applicable.</p> <p>6. Update the procedure to mention signoff requirements in trust fund reconciliation to ensure consistency.</p>	<p>1. Full review of bonds to be undertaken and reconciled, with</p> <p>2. Procedure to be updated with new review processes.</p>	<p>Manager Financial Services</p>	<p>June 2023</p>

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### CONTRACT AND TENDER REGISTERS

Completeness of the contract and tender registers		Rating
<b>Finding 4.</b>	<b>Incomplete documentation related to contract extensions and incomplete registers maintained</b>	<b>MEDIUM</b>

Complete documentation relating to the original contracts, amendments, variations, and extensions is critical to ensure that these are available and accessible at any time as these documents are the basis for the supply of goods and services over an extended period. Based on our review of tenders on sample basis, we found the following:

- A. Evidence of contract extensions for two (2) years from November 2020 to November 2022 related to the cleaning services between the City of Nedlands and Charles Services Company is not available. We were informed by the Procurement Officer that the documents could not be located which may be potentially an indication of inadequate records management or oversight on the subsequent contract extensions.

Contract Term	Availability of Contract and Extension
19/Nov/18 to 18/Nov/19	Original contract
19/Nov/19 to 18/Nov/20	Extension of contract for 12 months is available
19/Nov/20 to 18/Nov/21	No extension of contract available
19/Nov/22 to 18/Nov/22	No extension of contract available
19/Nov/22 to 18/Nov/23	Pending negotiation – contract is not finalised

- B. From the sample selected, we found that RFP0618/0626 is a tender for three (3) years starting from the year 2019 to 2022 specific to insurance services that should have been added in the tender register list but was not reflected clearly on the list.
- C. There was no process of regular review of the Contract Register and Tender Register along with the evidence of its review. The 'Contract Register' was last updated on 15 Nov 2022 but the information on who reviewed it and signoffs was not available. Also, the 'RFT Register' has no information about its update date and reviewer information.
- D. We found instances of blank data fields in the Contract Register and in the Tender Register fields which were not filled in to ensure completeness of the registers.

#### IMPLICATION

Non-compliance with policy

If these contract documents are not available to verify the scope of services or the agreed rates, it could increase the risks of financial losses due to continuance of services without the applicable contract that protect both parties in the event of default or breach in terms and conditions. Ineffective contract and tender management Fraud, corruption, and error may not be detected on a timely basis with inadequate financial management information

### Management Comment

City of Nedlands staff are in an ongoing process of tracking down missing historical Contracts and Tenders registers information, once located the appropriate registers are updated to improve their completeness. Moving forward internal procedures now capture all the required new Contracts and Tenders information to ensure completeness, which is now located in one single repository.

Recommendations	Agreed Action	Action Owner	Target Date
<p>7. Contracts with extension clauses should be properly supported with evidence that is signed by both parties. Retrieve and file contract extensions in a centralised repository that is easily accessible.</p> <p>8. Update both the contract and tender registers to reflect complete information of all contracts and tenders respectively.</p>	<p>1. Currently all contracts with extensions have a letter sent to supplier when City exercises extension clauses. Mutual agreement by both parties documented rather than a doc signed by both parties. Historical contracts to be retrieved and filed in a centralised records repository, accessible by authorised staff.</p> <p>2. Contract and Tender Registers both to be updated to reflect complete information.</p>	<p>Manager Financial Services</p>	<p>June 2023</p>



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### INVESTMENTS

Adequacy of policies pertaining to investments	Rating
<b>Finding 5. Updates required related to investment policy</b>	<b>LOW</b>

We reviewed the policy and procedures related to investments to identify gaps wherever applicable. The results of our tests revealed exceptions as follow:

- A. We found that some investments were split into different parts, but the existing investment policy is silent about any conditions related to splitting of investments accounts and how these are managed and approved for any rollover going forward.
- B. The 'Investment of Council Funds' was last reviewed and approved in May 2017 and should be reviewed on a timely basis and at least every 2 years or more regular if the need arises such as legislative changes etc.

#### IMPLICATION

Unapproved investments Lack of clarity on the approvals of investment roll-over may put the City in undesirable position where investment could be renewed earning a lower interest.

#### Management Comment

City finance officers currently adhere to the City of Nedlands 'Investment of Council Funds Policy' and 'Investment of Council Funds City Procedure' when investing and reinvesting City funds.

Recommendations	Agreed Action	Action Owner	Target Date
9. Update the Investment of Council Fund procedure to include: <ul style="list-style-type: none"> <li>▪ exemptions to roll-over approvals</li> <li>▪ clarity of procedures related to the splitting and classification of investment accounts.</li> <li>▪ review cycles along with the roles and responsibilities of the approvers and initiators.</li> </ul>	Review and update Investment Policy and Procedure as per recommendation.	Manager Financial Services	September 2023

# Background on Purchasing Cards\*

The internal controls applicable to the Purchasing Cards are key elements in the Financial Management Review (FMR) and form part of its overall internal control environment. The risks associated with the purchasing cards are high due to several reasons as follow:

- (1) the ease of use in procuring the desired services or goods without the need of pre-approval
- (2) clarity on the nature of services or goods that can be paid using the card
- (3) the means of purchase that can be done online
- (4) the extent of commitment that can happen when using the cards to procure services that extend over a long period without undergoing reauthorisation procedures
- (5) the frequency of payments that can be made daily, weekly, or monthly
- (6) the monitoring controls that should be in place to ensure that usage of cards is authorised and transactions are made for business purposes only

We presented below data analytics snapshots of purchasing cards to provide a brief background at the City of Nedlands. We also prepared and attached in [Appendix 3](#) of this report the Purchasing Card Process Maps to understand the process-level internal controls that should be in place to mitigate inherent risks involved.

Figure 1: Cardholder by business unit

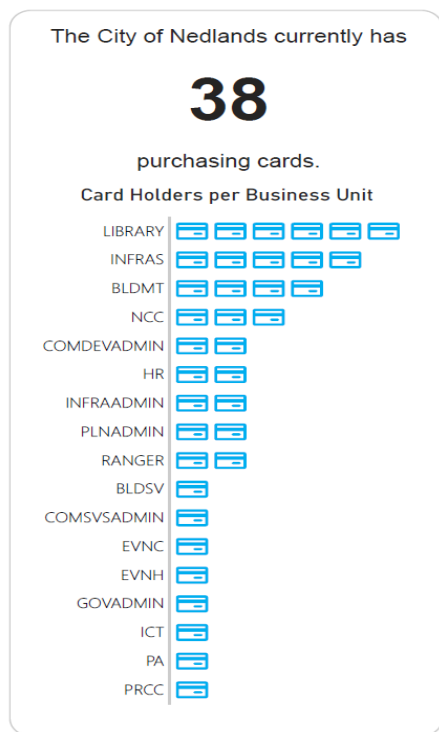


Figure 2: Summary by volume and cost

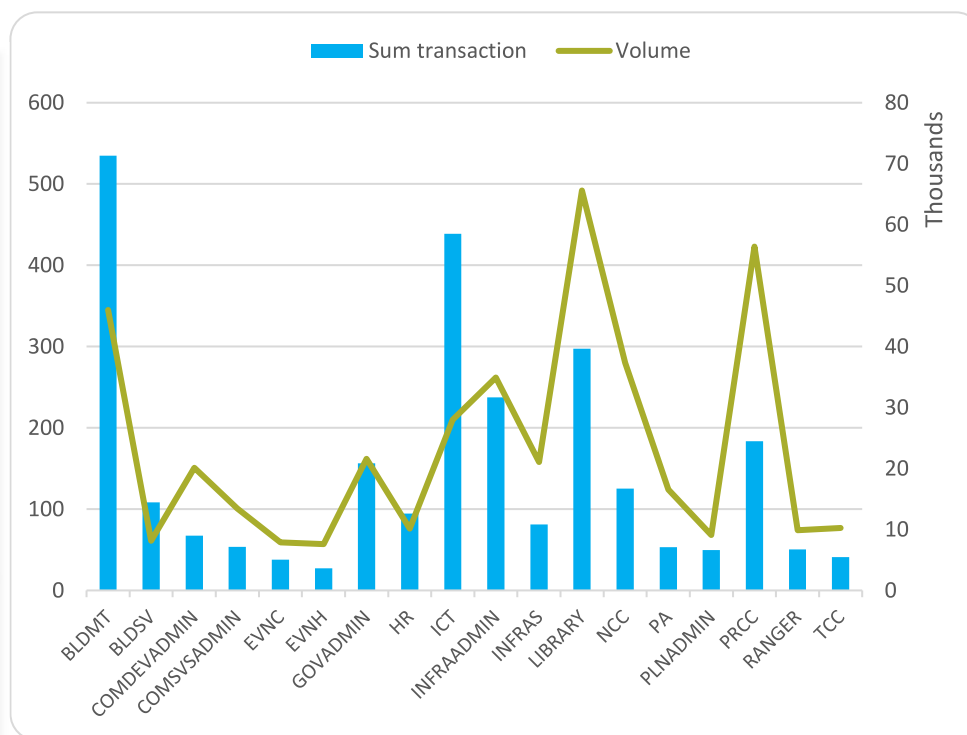
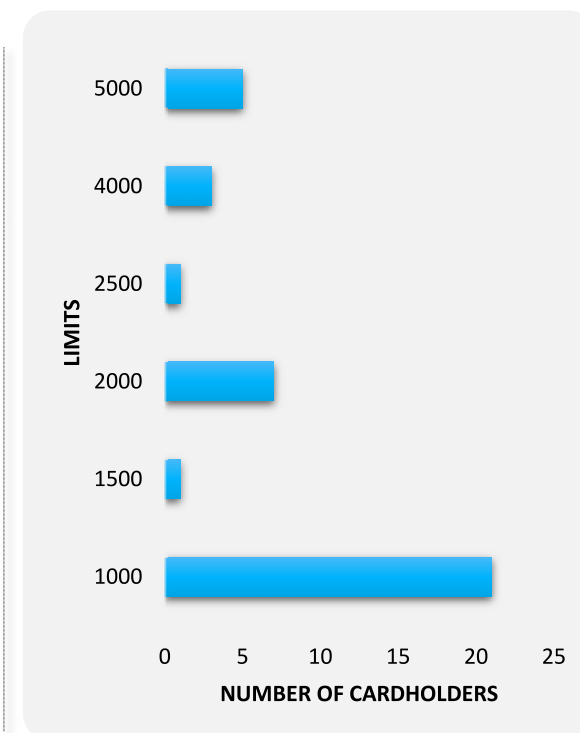


Figure 3: Limits by cardholders



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### PURCHASING CARDS

Extent of compliance with the Purchasing Card Procedures			Rating
<b>Finding 6. Observations that are deemed noncompliance with the requirements in the procedures</b>			<b>MEDIUM</b>
<p>The City introduced and published the 'Use of Corporate Purchasing Cards' procedure in June 2016 with the aim of improving the City's efficiency by eliminating time-consuming paper-based ordering and payment methods for low value purchases. We selected and tested few sample transactions to validate full compliance between the requirements in the procedures and the actual practice of approvals, utilization, and documentation of the purchases made using the corporate purchase cards issued by the City. We found few differences as follow:</p>			
Procedure Reference	Specific Details in the Procedure	Actual Practice	Audit Comments on the extent of noncompliance
Page 2 Purchasing Card Usage	<i>"Prior approval must be obtained from the Manager of the card holder before the purchase is taken"</i>	For all samples selected and tested, the review happens at the reconciliation stage after the purchase is already made. No evidence of pre-approval before the purchase is made.	Pre-approval protocols prior to purchase is not complied with.
Page 3 Purchasing Card Usage	<i>"Purchasing card shall not be used for the card holder's personal benefit, including participation in incentive schemes e.g., Frequent Flyers."</i>	We found two (2) samples out of (15) where reward schemes were used at the time of purchase. We found these at the bottom of the receipts provided for our review.	<p>The use of rewards schemes by an individual at the time of purchase is an indication of non-compliance with policy and evidence a personal benefit was received by an employee. We are not suggesting that this was intentional non-compliance or a employee intentionally seeking a personal benefit and is potentially a training and awareness opportunity.</p> <p>As we selected only a sample of 15 transactions, similar noncompliance could exist in other transactions not selected for sample.</p>

Page 2 Purchasing Limits & Page 2 Anti Avoidance Provision	<i>Purchasing cards may be used for transactions not exceeding \$1,000.</i> <i>Any purchase transaction exceeding \$1,000 shall be processed via a purchase order in accordance with the procedures for purchasing goods and services</i>	Out of the samples tested, we found one instance of purchase that exceeded the \$1,000 thresholds – dated 24 <sup>th</sup> March 2022, Ref MSFT* <E0200HU76Q> ICT for an amount of \$1,402.50 for Software – SQL Azure subscription.	Potential noncompliance with policy.
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### Management Comment

City Use of Corporate Purchasing Card Procedures to be updated to reflect recommendations below. A max limit of 2 cards to be introduced on individual Business Units on the number of purchase cards they can be issued.

Recommendations	Agreed Action	Action Owner	Target Date
<p>10. Update the purchasing card procedure to reflect changes from pre-approval to post-approval.</p> <p>11. Provide training and awareness to all staff but specifically purchasing cardholders to remind them of the purchasing card policy addressing internal audit findings such as rewards scheme's restrictions and thresholds for use.</p> <p>12. Regular review the purchasing card transactions above the \$1,000 threshold and obtain justification as part of the approval process. Explore options of imposing transactional limit with the card if possible.</p>	<ol style="list-style-type: none"> <li>1. Update purchasing card procedures as recommended.</li> <li>2. Existing holders of City purchase cards to be reminded of requirements and responsibilities under Use of Corporate purchasing cards officer to sign form acknowledging and agreeing to abide by rules. New card holders to be approved by Manager Finance and provided a copy of 'Use of Corporate Purchasing Card requirements as above to sign also.</li> <li>3. Reviews to be undertaken for transactions over \$1,000. Options to be explored for transactional limits.</li> </ol>	Manager Financial Services	June 2023

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### PURCHASING CARDS

Completeness of policy and procedures	Rating
<b>Finding 7. Updates required on the 'Use of Corporate Purchasing Card' document</b>	<b>MEDIUM</b>

It is important to regularly review and update the policies and procedures to ensure that they are in compliance with legislation appropriate, relevant effective. This can also improve not just the awareness of the Officers and cardholders involved but also streamline the processes to match actual practices with written guidelines – therefore increasing the overall efficiency which will result to additional cost savings.

We reviewed the 'Use of Corporate Purchasing Card' to identify any improvement opportunities such as inconsistencies, changes in the procedures, its review cycle, custody, and any relevant information that may require changes. We also conducted inquiries and discussions with the relevant parties to understand the nature and extent of activities performed and compared these with the existing procedures.

Based on these tests, we found the following items:

Observations	Risk involved
The procedure document has not been updated since June 2016 – that is over 6 years old	Recent changes to the process, approval workflows or requirements may not be captured in the documents.
Lack of information on review cycle. It is a good governance to review the procedures every 2 years (as the upper limit) or anytime when major changes are identified such as legislative changes.	Lack of enforcement mechanism on the review protocols may promote complacency.
No information is included in the procedure on the custody of purchasing cards, particularly the handling of the inactive or unused cards. This also include updates on the details of the cardholders if the cards are passed from one holder to another without complete monitoring controls in place.	Difficulty in initiating changes as no one is designated as responsible. Custody of purchasing cards may not be secure and may present a risk of unauthorised use if there is unlawful access.
Procedure does not provide information on what to do in situations where the cardholder is on extended leave. Purchasing cards should be handed back to the City prior to extended leave which should be defined in the policy.	There is a risk of unauthorised use in the period of extended leave. When staff are on a extended leave, the card may become idle and unused, where it could have been delegated to someone else for operational purposes.

**IMPLICATION**

Outdated procedures can increase the likelihood of irregularity that can lead to potential financial losses. This can also cause confusion amongst the cardholders about complying with the requirements if changes thereof are not fully written and communicated.

**Management Comment**

City Use of Corporate Purchasing Card Procedures to be updated to reflect recommendations below.

Recommendations	Agreed Action	Action Owner	Target Date
<p>13. Implement the following changes to the Use of Corporate Purchasing Card Procedures. Ensure there is regular training and awareness of the procedures to all relevant officers in the City.</p> <ul style="list-style-type: none"> <li>• Lack of information on review cycle.</li> <li>• No information is included in the procedure on the custody of purchasing cards and roles to initiate and approve updates.</li> <li>• Procedure does not provide information on what to do in situations where the cardholder is on extended leave.</li> </ul>	<ul style="list-style-type: none"> <li>• Procedure to be updated to reflect existing holders of City purchase cards to be reminded of requirements and responsibilities under Use of Corporate purchasing cards officer to sign form acknowledging and agreeing to abide by rules. New card holders to be approved by Manager Finance and provided a copy of 'Use of Corporate Purchasing Card requirements as above to sign also.</li> <li>• 6 monthly Review cycle to be updated in procedure.</li> <li>• Procedure to be updated to reflect custody of purchasing cards and roles to initiate and approve updates by Finance Manager</li> <li>• Procedure to be updated to reflect cardholders on extended leave over 4 weeks are to surrender purchasing card to relevant Business unit Functional Manager whilst on extended periods of leave.</li> </ul>	<p>Manager Financial Services</p>	<p>June 2023</p>

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### PURCHASING CARDS

Category of expenses paid by the Purchasing Card	Rating
<b>Finding 8. Potential recurring subscriptions that could extend over long period paid for via the purchasing card</b>	<b>LOW</b>

The 'Use of Purchasing Card' procedure document has provided some exclusion on the type of expense that should not be paid via the card such as purchase of fuel and personal expenses – but it is not clear about the subscription-based expenses. Expenses that are subscription-based are usually long-term commitments that extend over a period of few years, and if its cumulative value is calculated, the amount could easily exceed the \$1,000 thresholds.

Based on the data analysis we performed, we found a few transactions presented below that are subscriptions but paid for using the purchasing card.

ID	Statement Date	Merchant Name	Employee ID	Business Unit	Transaction Amount (\$)	Description
1	5/07/2021	MSFT *-<E0200EQEI2>	2409	ICT	697.76	Software-Azure Subscription
2	24/03/2022	MSFT *-<E0200HU76Q>	2409	ICT	1402.54	Software- SQL Azure subscription
3	17/06/2022	PAYMATE*SPUN	608	LIBRARY	200.00	Spydus user group subscription
4	4/07/2022	WIX.COM 1002908189	178	ICT	958.90	Tresillian Wix subscription

Because of the limitation of the period of review, which is one year – we could not validate if these were either a one-off transaction which happened only once or whether these transactions reoccur in the next period. However, it is critical to revisit and update the procedure document to provide guidance on the action plan required related to subscription-based fees that could extend over multiple years without undergoing additional level of approvals as the charges are automatically charged in the card.

#### IMPLICATION

Increase the likelihood of large financial commitment over an extended period of time without the need of additional approvals.

#### Management Comment

'Use of purchasing card procedure' to be updated to permit subscription-based fees on purchase cards. Most software subscription fees are only renewable for 12 months at a time and preferred online payment method usually on a credit card and renewed each year either automatically or by request. Where subscription auto renewals are in place procedures need to be in place to ensure when City cancels subscription where use of software ceases auto payment also is cancelled.

Recommendations	Agreed Action	Action Owner	Target Date
14. Update the procedure on purchasing cards to clearly define subscription-based charges.	Update procedure on purchasing cards to define subscription-based fees.	Manager Financial Services	June 2023

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### PURCHASING CARDS

##### Number of Purchasing Cardholders and Volume of Transactions

Rating

##### Finding 9. Re-evaluation of purchasing cards required

**MEDIUM**

We calculated the volume and cost of purchase transactions for each business unit and evaluated it with the number of purchasing cards that are available for use. We found out that there are a total of **38** active purchasing cards allocated to these business units for use – but the number of purchasing cards held by each division varies. We noticed that some business units have a higher number of purchasing cards despite having a low volume and value of transactions – which pertains particularly to **'BLDMT'**, **'INFRAS'** and **'LIBRARY'**. But there was no evidence, (for example, a business case that justifies the granting of more cards to a few business units) to ensure that there is valid rationale behind these card numbers.

We understand that the last formal review of purchasing cards was performed in June 2016 which was over six (6) years ago and has not reflected any requirements about the need of any business case justification prior to granting the card to the business units. The summary and volume of transaction from 1 Jul 2021 to 31 Oct 2022.

Business Unit	EVNH	EVNC	TCC	PA	COMSVSADMIN	BLDSV	GOVADMIN	ICT	NCC
Number of cards (A)	1	1	1	1	1	1	1	1	3
# Volume (B)	57	59	77	124	101	61	162	210	280
Total Cost (C)	3,630	5,047	5,459	7,073	7,144	14,438	20,850	58,478	16,714
Average cost per transaction (C/B)	64	86	71	57	71	237	129	278	60
Average volume per card (B/A)	57	59	77	124	101	61	162	210	93

Business Unit	PLNADMIN	RANGER	HR	PRCC	COMDEVADMIN	INFRAADMIN	BLDMT	INFRAS	LIBRARY
Number of cards (A)	2	2	2	2	2	2	4	5	6
# Volume (B)	68	74	76	423	151	262	345	158	492
Total Cost (C)	6,606	6,704	12,596	24,480	8,994	31,677	71,320	10,820	39,672
Average cost per transaction (C/B)	97	91	166	58	60	121	207	68	81
Average volume per card (B/A)	34	37	38	212	76	131	86	32	82

#### IMPLICATION

Increase the likelihood of large financial commitment over an extended period of time without the need of additional approvals.



Management Comment			
Formal review of City purchasing cards to be undertaken this year, of the adequacy of the number of purchasing cards in each business unit and effectiveness of the purchasing card process.			
Recommendations	Agreed Action	Action Owner	Target Date
15. Perform a regular review of the adequacy of the number of purchasing cards in each business unit and effectiveness of the purchasing card process document this consideration and review.	Internal procedures to be updated to ensure purchasing cards numbers and effectiveness are reviewed	Manager Financial Services	June 2023

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### PURCHASING CARDS

#### Complete documentation of Cancelled Purchasing Cards Rating

**Finding 10. Lack of adequate documentation on handover and cancellation of purchasing cards** **MEDIUM**

We understand that the purchasing cards are in the name of the cardholders. Whenever the cardholder ceased to be part of the City, the purchasing cards must be handed over to be cancelled with the bank to ensure that the card is closed and cannot be used anymore by an unauthorised person.

We tested the timeliness of cancellation and the availability of documented evidence to ensure adequacy of audit trail. Based on the samples tested, we found some reportable matters as follow

- Evidence of card cancellation such as requests, bank letters are not available
- Handover document the shows who receive the card, and on which date the card was handed over are missing in few of the samples
- In general, there is an inconsistent and lack of mandatory documentation requirements relating to the cancellation process of purchasing

Cardholder	Date of Internal Notice leaving Nedlands	Effective last date (A)	Evidence of handover of card	Card Handover Date	Evidence of Cancellation service request with the bank (B)	Difference (A-B)
Madison Newby	12/08/2021	01/09/2021	Not provided	Not provided	06/09/2021	5 days
Rajan Sharma	No evidence	No evidence	Yes	11/05/2022	Not provided	Cannot calculate
Ed Herne	18/02/2022	18/02/2022	Yes	Undated	Not provided	Cannot calculate
Neil McGuinness	24/08/2021	No evidence	Yes	23/06/2021	Not provided	Cannot calculate
Brendon Capriotti	No evidence	No evidence	Not provided	Not provided	21/7/2021	Cannot calculate

We were informed that the person who was the main point of contact and the primary responsible for the card cancellation process has ceased employment in the City - which influenced the adequacy of documentation provided. However, we believe that regardless of the person involved, the process has to be robust enough to ensure that process-level internal controls are complied with at all times.

#### IMPLICATION

Potential financial loss to the City

#### Management Comment

Processes for managing the cancellation of purchasing cards when staff leave the employment of the City to be updated to ensure that process-level internal controls are robust and complied with at all times. Terminated staff exit interview checklist now includes checkbox for credit card/purchase card to be retrieved.

Recommendations	Agreed Action	Action Owner	Target Date
16. Review list of purchasing cards that belong to terminated employees and ensure these are cancelled on a timely basis. Ensure this is performed on a timely basis for all future terminated employees. File the evidence of handover, cancellation request, and proof of cancellation completely. Include in the purchasing procedure document the mandatory filing requirements for cancellation.	Undertake review of terminated employee purchase cards processes to ensure compliance and evidence of handover, cancellation request, and proof of cancellation are captured in the City's records system.	Manager Financial Services	June 2023

## 4 OTHER

### 4.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

### 4.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party.
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report.
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

### 4.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

### 4.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.

## APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING

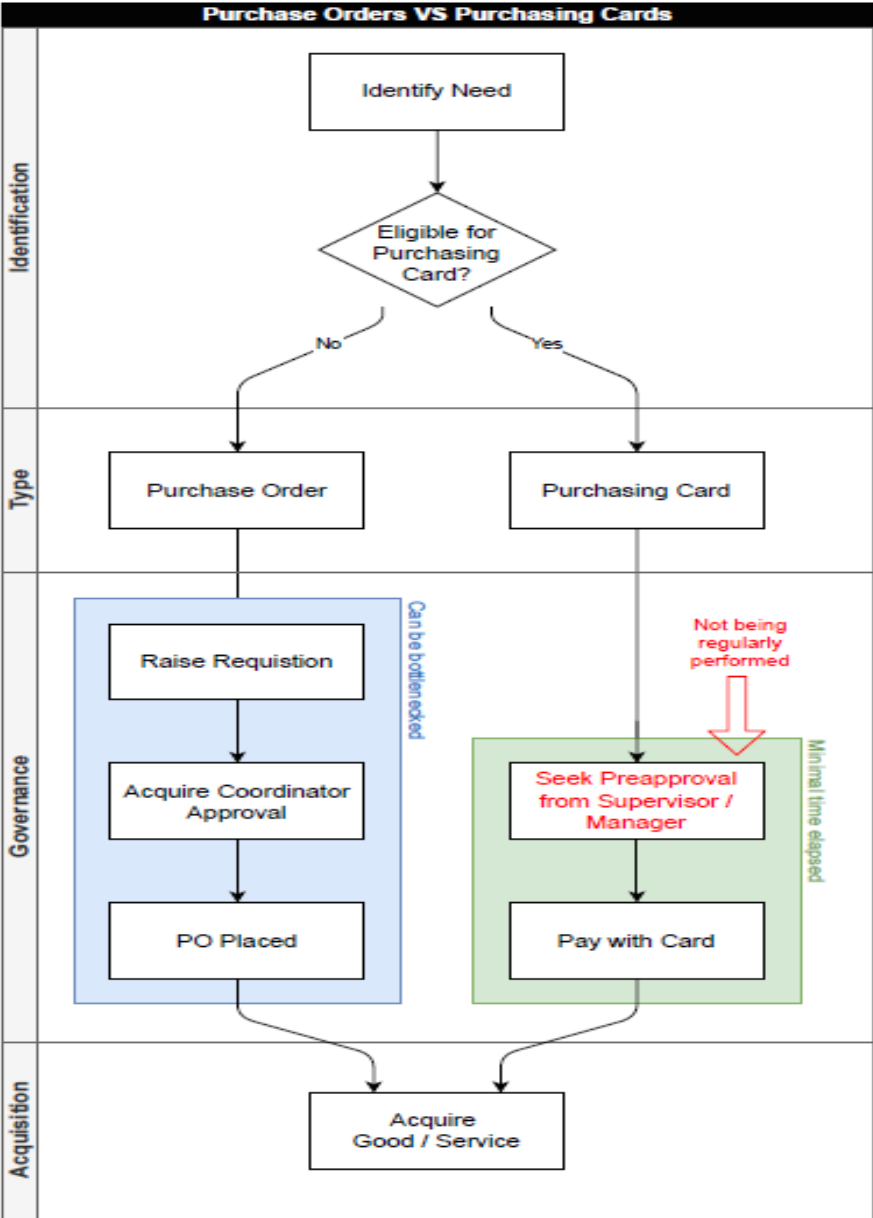
Rating	Definition	Guidance	Action required
<b>High</b>	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	<ul style="list-style-type: none"> <li>• Material errors and departures from the organisation's policies and procedures;</li> <li>• Financial management / accountability / probity concerns;</li> <li>• Non-compliance with governing legislation and regulations may result in fines or other penalties; and</li> <li>• Collective impact of many moderate or low issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance; and</li> <li>• A detailed plan of action to be approved by Management with resolution within 30 days.</li> </ul>
<b>Medium</b>	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	<ul style="list-style-type: none"> <li>• Events, operational, business, and financial risks could expose the organisation to losses could be marginally material to the organisation; and</li> <li>• Departures from best practice management procedures, processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires substantial management intervention and may require possible external assistance; and</li> <li>• Timeframe for action is subject to competing priorities and cost benefit analysis but should not exceed 3 months.</li> </ul>
<b>Low</b>	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>• Events, operational and business risks could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation, and regulatory compliance; and</li> <li>• Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires management attention and possible use of external resources; and</li> <li>• Minor treatment is desirable. Action should be completed within 6 months.</li> </ul>

# APPENDIX 2: KEY PERSONNEL CONTACTED

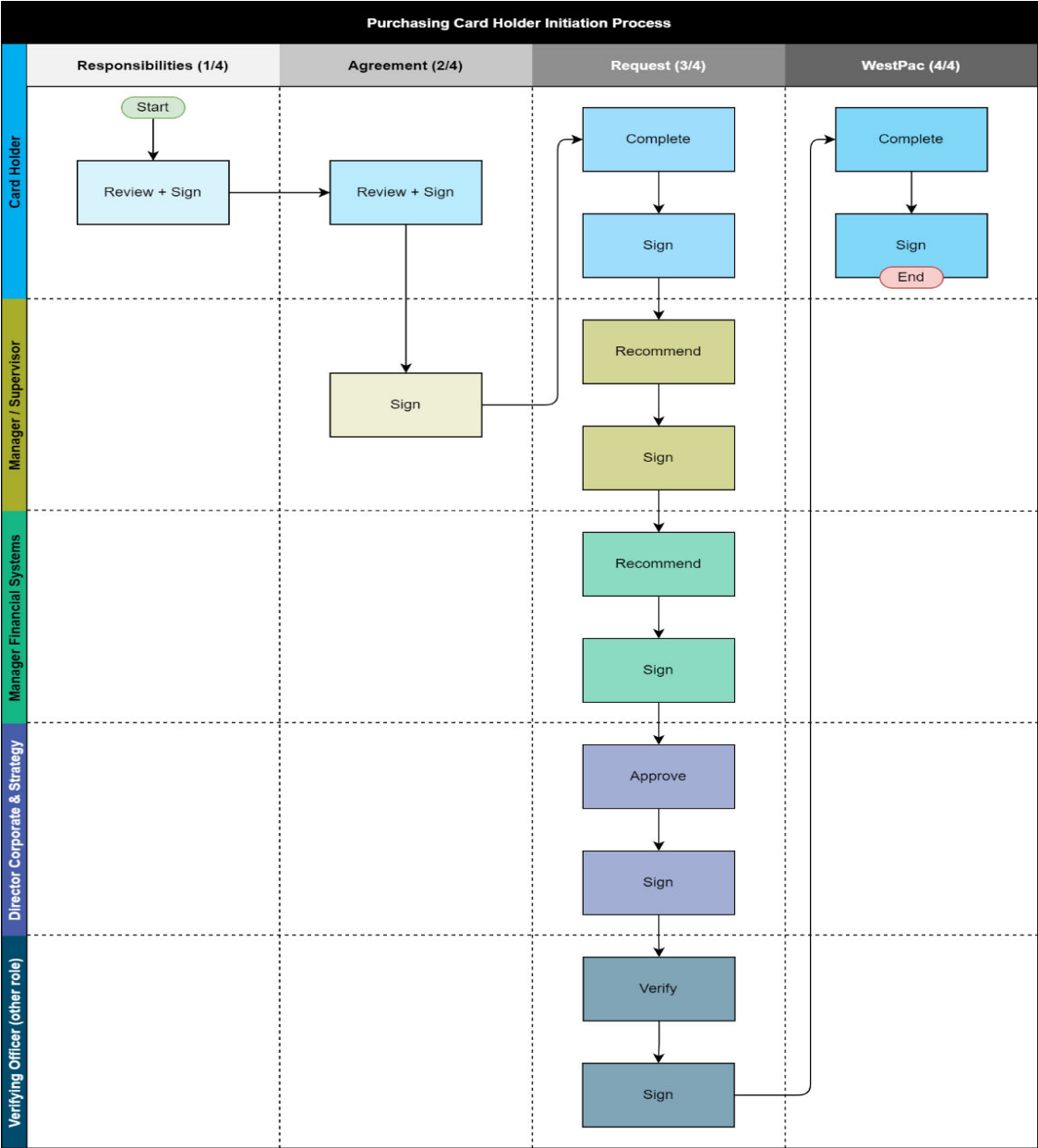
We would like to thank the following personnel for their assistance in the conduct of this internal audit.

Name	Role
Mike Cole	Director Corporate Services
Stuart Billingham	Manager Financial Services
Lauren Fitzgerald	Senior Project Accountant
Qurban Ali	Coordinator Revenue
Tara Moore	Finance Officer Revenue
Purvi Chudasama	Finance Officer Accounts Payable
Nathaly Alvarez	Coordinator Procurement and Contracts

# APPENDIX 3: PURCHASING CARDS PROCESS MAPS

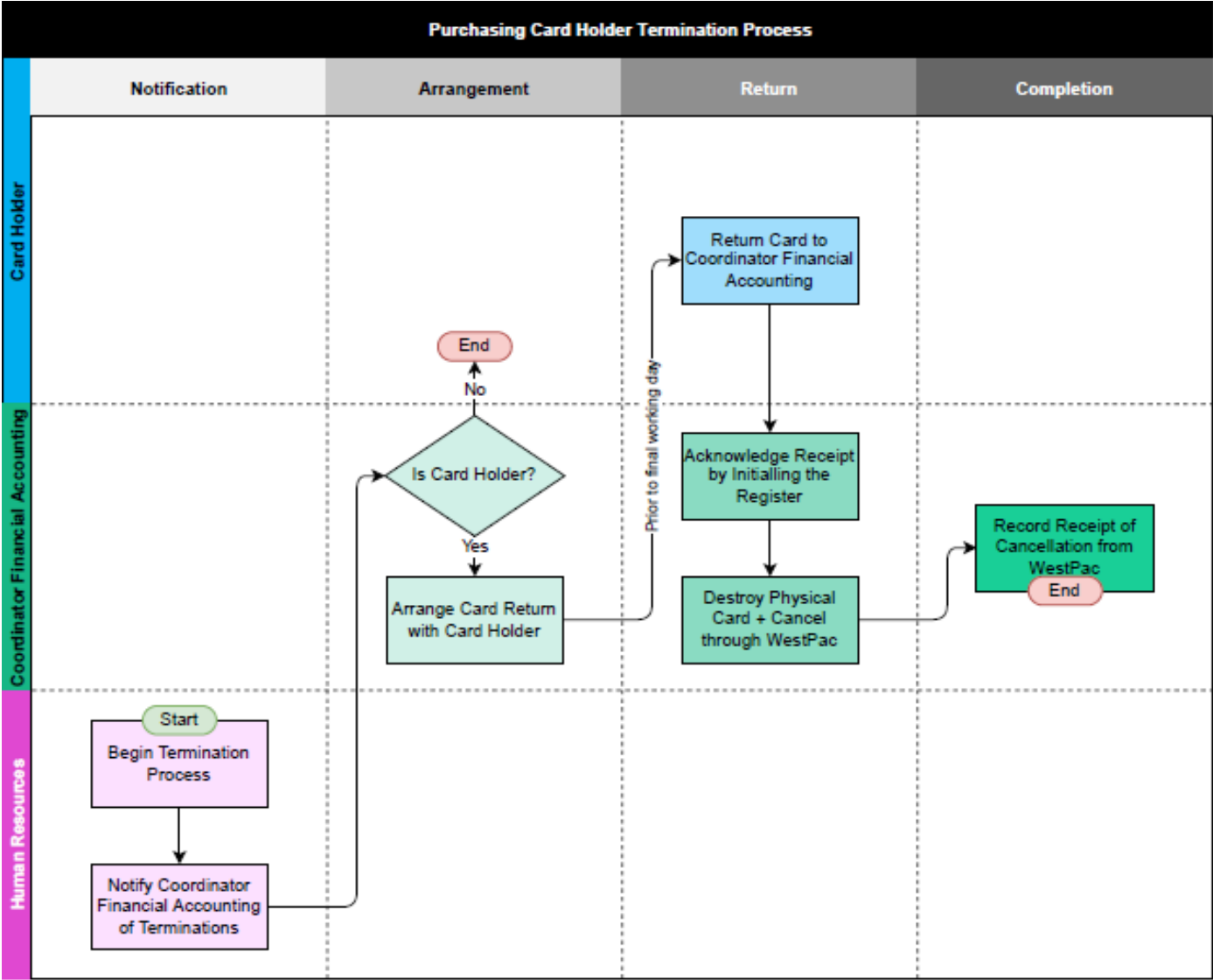


# PURCHASING CARD INITIATION PROCESS MAP

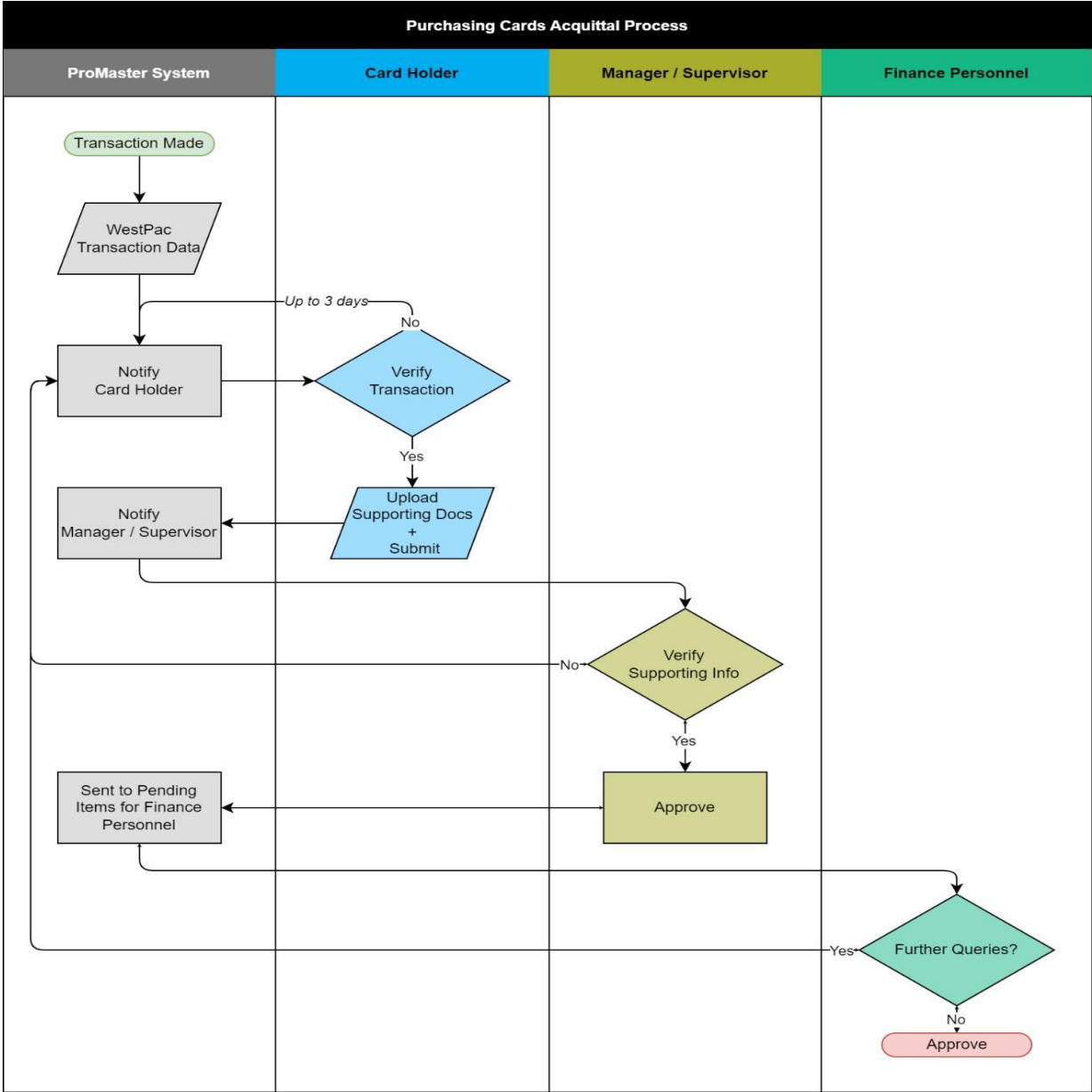




# PURCHASING CARD TERMINATION PROCESS MAP



# PURCHASING CARD ACQUITTAL PROCESS MAP



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HELPING YOU THRIVE IN A CHANGING WORLD

### 9.3 ARC03.02.23 Internal Audit - Regulation 17 Review

<b>Meeting &amp; Date</b>	Audit & Risk Committee – 20 February 2023
<b>Applicant</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Report Author</b>	Stuart Billingham – Manager Financial Services
<b>Director</b>	Michael Cole Director Corporate Services
<b>Attachments</b>	1. Regulation 17 Report 2022 - See appendix 3 of Item ARC01.02.23 Moore Aust Report

Moved – Councillor Senathirajah  
Seconded – Councillor Combes

**That the Recommendation be adopted.**  
(Printed below for ease of reference)

**CARRIED 3/1**  
**(Against: Cr. Mangano)**

#### **Committee Recommendation / Recommendation**

**That the Audit & Risk Committee recommends that Council:**

1. notes the auditors report on the review of the City’s systems and procedures in relation to risk management, internal controls and legislative compliance; and
2. notes the management responses to those comments and recommendations.

#### **Purpose**

To present to the Audit & Risk Committee the Auditor’s report on the appropriateness and effectiveness of the City’s systems and procedures in relation risk management, internal controls and legislative compliance.

#### **Voting Requirement**

Simple Majority.

## Background

The *Local Government (Audit) Regulations 1996* regulation 17, requires the Chief Executive Officer is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- a. Risk management; and
- b. Internal control; and
- c. Legislative compliance

not less than once every 3 financial years and report any findings to the audit committee.

Through a formal request for quote process, Moore Australia (WA) Pty Ltd was appointed to undertake the Regulation 17 review report. The audit covered the period ending December 2022.

The auditors Regulation 17 report made 12 recommendations as summarised in the table below:

Risk Rating	TOTAL	Previous Internal Audit Recommendations	Regulation 17 Recommendations
Governance	92	86	6
Process	43	39	5
Information and Systems	5	5	-
People	10	9	1
<b>Total Findings</b>	<b>151</b>	<b>139</b>	<b>12</b>

## Consultation

Moore Australia (WA) Pty Ltd, Director Corporate Services, Manager Financial Services, Manager ICT, Executive Officer and Senior Project Accountant.

## Strategic Implications

This item relates to the following elements from the City's Strategic Community Plan.

**Vision** Our city will be an environmentally sensitive, beautiful and inclusive place.

**Values** **High standard of services**  
We have local services delivered to a high standard that take the needs of our diverse community into account.

**Great Governance and Civic Leadership**

We value our Council's quality decision-making, effective and innovative leadership, transparency, accountability, equity, integrity and wise stewardship of the community's assets and resources. We have an involved community and collaborate with others, valuing respectful debate and deliberation.

## Budget/Financial Implications

There are no budget or financial implications to this report.

## **Legislative and Policy Implications**

The following legislation is adhered to:

[Regulation 17 of the Local Government \(Audit\) Regulations 1996](#)

## **Decision Implications**

Nil.

## **Conclusion**

That the Audit & Risk Committee recommends that Council:

1. notes the auditors report on the review of the City's systems and procedures in relation to risk management, internal controls and legislative compliance; and
2. notes the Management responses to those comments and recommendations.

## **Further Information**

Nil.



# REGULATION 17 REPORT

**City of Nedlands**

27 January 2023



# TABLE OF CONTENTS

- 1. EXECUTIVE SUMMARY .....3
- 2. DETAILED OBSERVATIONS .....6
- 3. OTHER ..... 17
- APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING ..... 18





# 1. EXECUTIVE SUMMARY

## 1.1. Background

Regulation 17 of the Local Government (Audit) Regulation 1996 requires the Chief Executive Officer (CEO) of the City of Nedlands (the City) to undertake reviews of the appropriateness and effectiveness of local government systems and legislative compliance not less than once in every three financial years. The outcome of the review must be reported to the City's Audit and Risk Committee. Moore Australia was engaged by the City to undertake this review

In addition, this review will also provide assurance to the City in relation to their four lines posture to enable management to make better decisions and achieving its strategic objectives. Figure1 illustrates four lines of defence model:

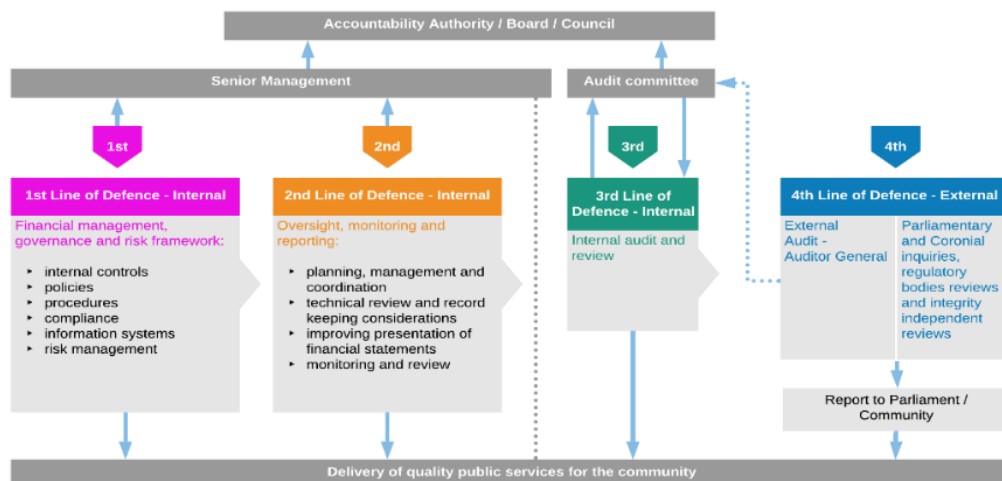


Figure 1: Four Lines of Defence Model. Source: Office of the Auditor General

## 1.2 Objective and Scope

The objective of the review is to provide the basis for a report by the Chief Executive Officer to the Audit & Risk Committee on the appropriateness and effectiveness of the City's risk management, internal controls and legislative compliance systems and procedures as required by the Local Government (Audit) Regulations 1996, Regulation 17.

The scope includes a review of the following:

- The City's risk management systems policies, procedures and plans;
- Evaluate the key non-financial / operational internal control systems and procedures. Financial controls are in the scope of Financial Management Review legislative requirement and not in the scope of this engagement; and
- Assess systems and procedures for maintaining legislative compliance. This is not a compliance audit of the City compliance with all legislative compliance obligations.

With management's agreement, we have leveraged the following internal audits and / or reviews to minimise duplication of effort and to achieve better efficiency:

- a) OAG audits (financial and GCC), for FY21 as FY22 results are not yet available;
- b) Fraud Prevention in Local Government conducted by OAG in FY19/20;
- c) Recent internal audits and reviews undertaken by Moore Australia including accounts payable, IT Policies, payroll, contract management, records management, occupational, health and safety, business continuity, risk management, work force management, asset management audit and effectiveness of the audit and risk committee review;
- d) Financial management regulation review and purchasing card audits in progress concurrently with Regulation 17 review; and
- e) Areas subject to the Compliance Audit Return (CAR).

Hence, this report should be read in conjunction with the above mentioned audits or reviews.

As part of this review, we considered the following Act and Regulations:

- Local Government Act 1995;
- Local Government (Audit) Regulation 1996;
- Local Government (Function and General) Regulations 1996; and
- Local Government (Financial Management) Regulations 1996.



# 1. EXECUTIVE SUMMARY (CONT.)

## 1.3 Approach

The review undertook the following approach:

- Developed a detailed work program specific to risk management, internal control and legislative compliance requirements;
- Interviewed relevant stakeholders;
- Performed a walkthrough of key documents;
- Assessed the design effectiveness of the current process and provided recommendations for gaps noted;
- Reviewed the previous audits and reviews work completed referenced in this report;
- Exit meeting with relevant stakeholders;
- Issue of draft internal audit report;
- Receipt of Management Comments for consideration by Moore Australia;
- Issue of final internal audit report to Management; and
- Attendance and presentation of the final report to the Audit and Risk Committee.

This review has been conducted in accordance with the 'International Standards for the Professional Practice of Internal Auditing' contained in the 'International Professional Practices Framework' issued by the Institute of Internal Auditors.

As mentioned above, there were three areas assessed in this engagement being risk management, internal control and legislative compliance. Please note that this audit is not a compliance engagement, and we did not perform detailed compliance testing.

As identified in Section 1.2 we leveraged from the previous internal audit reports and did not duplicate any work with these internal audits.

## 1.4 Overall Observation

The City recognises the importance of Risk Management, Internal Controls, and Legislative Compliance activities and the need to maintain good governance. Recently, management rolled out the following systems and activities to enhance the current controls, better risks management practices and timely monitoring and adhering to legislative compliance requirements;

**Attain System** – This system was implemented in June / July 2022 to replace manual handling and management of legislative compliance requirements.

**OneCouncil ERP System** – This ERP platform system aims to improve data accuracy, efficiency, minimise risk, compliance requirements and will assist to modernise City's infrastructure and processes

The picture below illustrates planned implementation model:



While Management is committed to improving the governance and internal controls within the City, and actively undertaking various activities including addressing internal and external audit recommendations, some exceptions were identified as part of this review:

### Risk Management

An internal audit of risk management conducted by Moore Australia in July 2022 found that the City's overall risk management function requires significant improvement. Further, upon reviewing the City's Audit log reported to Audit and Risk Committee in November 2022, it was noted that a large number of risk management actions remain open or overdue. We acknowledge that a Governance and Risk Coordinator has been appointed and as part of this role's responsibilities include completing these tasks.

# 1. EXECUTIVE SUMMARY (CONT.)



## 1.5 Overall Observation (cont.)

### Internal Control

The City is working towards establishing a transparent and effective internal control environment. However, based on the inspection and discussion of relevant internal audit documents, reports and audit log, it has been concluded that internal controls still remain an area for improvement. Through discussion with relevant stakeholders, it was identified that the primary reason management unable to achieve higher levels of internal control effectiveness is due to high staff turnover and manual oriented business processes to support the control environment.

It was identified that current controls relating to maintenance of various register requires improvement. These registers are maintained manually and lack of cross department's involvement to ensure the register is current and complete. It was also identified that a framework for governing drafting of policy and procedure is lacking to strengthen the first line of defence controls.

### Legislative Compliance

We recognise that the City is in the progress of improving their legislative compliance posture with the implementation of Attain system to manage legislative compliance activities. However, it was identified that there is no documented framework, policies, procedures and registers describing the roles and responsibilities and the processes for managing, monitoring and reporting the legislative compliance activities outcomes.

Refer to section 2 of this report for detailed findings with a risk rating.

## 1.5 Finding Categories

Moore Australia has categorised the findings into four areas which are: Governance, Process, Information and Systems and People. The definitions have been set out in Table 1 below.

<b>Governance</b>	The framework of rules, encompassing policies, procedures and processes within and by which authority is exercised and controlled in an organisation.
<b>Process</b>	A series of logical activities or actions performed to achieve a particular result
<b>Information and System</b>	Interrelated components of technology, people, and processes an organisation uses to create, store and distribute information
<b>People</b>	The human resource capacity, capabilities and culture of the organisation

Table 1 Finding Categories.

## 1.6 Summary of Findings

All of the risk management findings, and the significant majority (93%) of the findings relating to internal controls are leveraged from previous internal audits as described in Section 1.2 Objective and Scope". There was no previous work performed on legislative compliance specifically, and so all findings are included in this report.

A summary of the findings against the three elements of the Regulation 17 are detailed in Table 2 below.

Risk Rating	TOTAL	Risk Management	Internal Controls	Legislative Compliance
<b>Governance</b>	<b>93</b>	24	66	3
<b>Process</b>	<b>43</b>	2	39	2
<b>Information and Systems</b>	<b>5</b>		5	
<b>People</b>	<b>10</b>	2	7	1
<b>Total Findings</b>	<b>151</b>	<b>28</b>	<b>117</b>	<b>6</b>

Table 2: Summary of Findings.

## 1.7 Acknowledgement

We have met with key personnel within the City to perform the engagement. We would like to thank the following personnel for their assistance in the conduct of this audit.

- Mike Cole – Director Corporate Services;
- Stuart Billingham – Manager Financial Services;
- Tony Benson– Manager ICT;
- Nicole Ceric – Executive Officer; and
- Lauren Fitzgerald – Senior Project Accountant



## 2. DETAILED OBSERVATIONS

### 2.1 Risk Management

As mentioned in Section 1 of this report, Moore Australia completed a comprehensive risk management internal audit this year to assess the adequacy and effectiveness of the City's internal controls for Risk Management. The outcome of this review was provided to management in an internal audit report dated July 2022. This risk management internal audit engagement should be read in conjunction with this Regulation 17 report. The summary of the findings has been summarised in the Executive Summary.

### 2.2 Internal Control

The internal control element of the Regulation 17 engagement has been leveraged from the internal audit reports which have been provided over the period. The following audit reports should be read in conjunction with this report. We have summarised the recommendations in the Table 3 including new recommendations from this Regulation 17 engagement.

The table below illustrates that there is no systemic trend to indicate that internal control environment has strengthened in the last three financial years.

	<i>Tabled Reports</i>	<i>FY</i>	<i>Governance</i>	<i>Information Systems</i>	<i>People</i>	<i>Process</i>	<i>Total Internal Audit Findings</i>	<i>Regulation 17 Report</i>	<i>Total Findings</i>
1	Accounts Payable Process Audit	2019	7	-	-	6	13	NA	13
2	IT Policies Review	2019	14	-	-	2	16	NA	16
3	Business Continuity Planning Review	2020	4	3	-	5	12	NA	12
4	Payroll	2021	2	-	-	3	5	NA	5
5	Records Management	2021	5	1	1	2	9	NA	9
6	Contract Management	2021	5	-	-	3	8	NA	8
7	Occupational Safety and Health	2022	7	-	-	1	8	NA	8
8	Risk Management	2022	24	-	2	2	28	NA	28
9	Effectiveness of Audit and Risk Committee	2022	4	-	5	5	14	NA	14
10	Workforce Plan	2022	10		1	6	17	NA	17
11	Asset Management	2022	4	1		4	9	NA	9
12	Regulation 17 Engagement (this report)	2022	6	-	2	4	NA	12	12
	<b>Total Regulation 17 Recommendations.</b>		92	5	10	43	139	12	151

Table 3: Reconciliation of the reports which have been leveraged in this report, and including the findings from this Regulation 17 Report



## 2. DETAILED OBSERVATIONS (CONT.)

### 2.2 Internal Control (cont.)

A summary of the findings and recommendations from previous internal audits and Regulation 17 audit are detailed in Table 4 below. In total, we provided 12 recommendations for management's consideration in this audit.

Risk Rating	TOTAL	Previous Internal Audit Recommendations	Regulation 17 Recommendations
Governance	92	86	6
Process	43	39	5
Information and Systems	5	5	-
People	10	9	1
<b>Total Findings</b>	<b>151</b>	<b>139</b>	<b>12</b>

**Table 4: Summary of Findings Relating to Internal Controls. (Previous Internal Audits and this Regulation 17 Report)**

In addition to the observations reported in the previous internal audits as mentioned in the Executive Summary Section "Objective and Scope". We observed the following further observations:

#### Internal Controls Management Comment

The findings are noted. The City has appointed a Coordinator of Governance and Risk who commenced in January 2023. For each recommendation, the agreed actions, responsible owner and action date are listed below.

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.2.1	<p><b>Audit Recommendations</b></p> <p>It was noted that there are long outstanding internal audit recommendations in the Audit log pending closure by management. As of November 2022:</p> <ul style="list-style-type: none"> <li>Out of 81 open internal audit recommendations, .35 recommendations are overdue and longest being 856 days;</li> <li>Out of 14 open OAG financial recommendations, 11 recommendations are overdue and longest being 764 days; and</li> <li>Out of 17 open OAG financial recommendations, 5 recommendations are overdue and longest being 902 days.</li> </ul>	High	<p>Recommendations from internal and external audit findings have been updated in the Audit log and outstanding actions will be finalised progressively.</p> <p>The Coordinator Governance and Risk will progress close out in conjunction with responsible officers.</p>	Coordinator Governance and Risk and various action owners listed against each agreed action.	Ongoing



## 2. DETAILED OBSERVATIONS (CONT.)

### 2.2 Internal Control (cont.)

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.2.1 (cont.)	<p><b>Audit Recommendations (cont.)</b></p> <p>It is acknowledged that the City understands the importance and has a commitment to close out the recommendations on a timely basis. The external and internal audit recommendations have been monitored and reported by Moore Australia to the Audit and Risk Committee at each meeting, however there has not been traction with the close out of the recommendations. It is also acknowledged that Management has appointed Moore Australia to be responsible for the Audit Log and liaise with Management to meet and explain the evidence required to validate, monitor, and report the recommendations to the Audit and Risk Committee. This has already seen great improvement in the close out rate in November 2022 and this is expected in future months as well.</p> <p><b>2.2.1 Recommendation</b></p> <p>Management should consider the resources, cost, risk and benefit in closing out external, internal and other recommendations and continue to monitor and report these to the Audit and Risk Committee on a timely basis.</p>	High			
2.2.2	<p><b>Grant Register</b></p> <p>Through discussion it was identified that an applicant is required to fill out an Acquittal Form and return to the City, with accompanying supporting evidence such as receipts, photos, testimonials, etc. The Community Development Officer then add the acquittal to their Share Point folder.</p> <p>If applicants have outstanding grants that have not been acquitted they will not be considered until the acquittal is completed.</p> <p>However, the grant register does not track and report on the outstanding acquittal for timely completion within three months as required by the Community and Youth Grant Procedures.</p> <p><b>2.2.2 Recommendation</b></p> <p>Management should review and revise the Grants Register to track and report on the outstanding acquittal for timely completion within 3 months as required by the Community and Youth Grant Procedures</p>	Medium	<p>Agreed. Officers in the Community Development team have been reminded to follow up with grant recipients to close out acquittals in a timely manner. The register is already in SharePoint and a separate register is not considered necessary.</p> <p>No further action is proposed.</p>	No action proposed.	N/A



## 2. DETAILED OBSERVATIONS (CONT.)

### 2.2 Internal Control (cont.)

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.2.3	<p><b>Hazardous Register</b></p> <p>A Register of Hazardous Materials was provided for our inspection, to reflect properties under the control of the City which may contain hazardous materials such as combustible liquid. This register includes materials held in Administration Office in Nedlands only. We were unable to evidence all other locations which Nedlands operates has been considered and relevant hazardous materials are recorded in this register.</p> <p><b>2.2.3 Recommendation</b></p> <p>Review and revise the Register of Hazardous Materials to include all of the City locations and all hazardous materials in accordance with legislation and better practice principles.</p>	High	At the time of the audit, the Chemical Register Software was not accessible due to login issues. This issue is now resolved; all hazardous substances throughout the CoN have been identified and risk assessed, and adequate controls are in place. Ongoing management, awareness training and risk review are compulsory under the WHS Act 2022. To minimise the risk of not being able to access the register, a hard copy will be printed and made available for consultation at the Administration and Depot offices. The manifest will be reviewed annually.	WHS Officer	Mid Jan for the manifest hard copies.  Ongoing for the register management
2.2.4	<p><b>Policy Framework</b></p> <p>Through discussion it was identified that there is adequate process and policy and procedure templates in place for establishing and obtaining approval for policy and procedures. Prior to writing a policy a discussion paper on why a policy is required is to be written and presented to the officer's manager then director for approval and support prior to being submitted to EMT / CEO for approval then the discussion paper is presented to Council Members at a Concept Forum to ensure a policy is required and what Council Members would like in the policy. Following the concept forum the officer then drafts policy and it goes to manager then director then EMT / CEO for approval and then to Council for adoption in case of Council Policy.</p>	Medium	Noted. The Council already has a formally adopted policy "Development of Policies and Administrative Procedures" No further action is proposed.	N/A	N/A



No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
	<p>However, the above mentioned process is not formally documented and communicated to the relevant stakeholders. Through discussion with the Executive Officer, it was noted that the newly appointed Risk and Governance Officer will develop a framework to formalise the above mentioned process.</p> <p><b>2.2.4 – Recommendation</b></p> <p>Develop a Policy Framework Policy which identifies the approved process for the identification, development, revision, approval, and publishing of City policies.</p>				





## 2. DETAILED OBSERVATIONS (CONT.)

### 2.2 Internal Control (cont.)

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.2.5	<p><b>Complaints Handling</b></p> <p>The City Customer Service Charter and Council Complaint Handling Policy exist. However, the City does not have a Complaint Register, nor a procedure for non-community complaints. This has been raised in prior internal audits.</p> <p><b>2.2.5 – Recommendation</b></p> <p>Develop and / or revise the current policy to include non-community complaints and a Complaints Register</p>	Medium	<p>The City manages complaints and enquiries through the OneCouncil CRM module.</p> <p>Complaints, as distinct from requests, are dealt with individually by next level up and escalated when needed to Director or CEO.</p> <p>Consideration will be given to developing a complaints register.</p>	Coordinator Governance and Strategy	June 2023
2.2.6	<p><b>Significant Adverse Trends</b></p> <p>Through discussion with the Director of Corporate Services, it was identified that adverse trends are identified through networking session with other local government representatives and during the City's annual planning meeting, whereby the Executive team members discuss the adverse trend and identify appropriate action plans.</p> <p>However, there is no formalised process in place to ensure the significant adverse trends are timely identified, managed and reported to the Audit and Risk Committee.</p> <p><b>2.2.6 – Recommendation</b></p> <p>Consider a formalised process to identify, monitor and report any significant adverse trends to reduce the risk of reoccurring and to improve oversight by the Audit and Risk Committee.</p>	Medium	<p>Noted. With the introduction of the OneCouncil system, the CEO has had a dashboard developed showing key indicators/trends. No further action is proposed. In addition, EMT agendas include as standing agenda items OHS and Risk. Appropriate reporting to Elected Members, including Audit and Risk Committee is being developed.</p>	Director Corporate Services and Coordinator Governance and Risk	Ongoing



## 2. DETAILED OBSERVATION (CONT.)

### 2.3 Legislative Compliance

The Legislative Compliance element of the Regulation 17 engagement approach was to assess the governance in place by the City to ensure it meets their legislative compliance obligations. It is not a compliance engagement and we are not testing for non-compliance with legislation.

Moore Australia however wish to acknowledge that the Attain system has been used by the City since June / July 2022 to manage its compliance activities with applicable laws and regulations. Integrity, an external contractor, administers and updating the new legislation requirements in this system. Currently, the Governance Officer and Executive Officer is responsible for maintaining and reporting the outputs from the Attain system. Majority of the findings reported below are relating to the period before the implementation of the Attain system which is the period within our audit scope.

#### Legislative Compliance Management Comment

The findings are noted and agreed actions are listed below against each recommendation.

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.3.1	<p><b>Legislative Compliance Framework</b></p> <p>There is no documented overarching Legislative Compliance Framework, Legislative Compliance Policy, Legislative Compliance Procedure, Legislative Compliance Register (with all legislation the City is required to comply with) and Legislative Non-Compliance Register (non-compliances with legislation) to define the accountabilities, roles and responsibilities, processes, breaches and monitoring and reporting undertaken by the City. We acknowledge that a Governance and Risk Coordinator has been appointed and as part of this role is to complete these actions.</p> <p>By virtue of not having a Legislative Compliance Register, the City has not identified Legislative Compliance Owners for the specific Legislation it is required to comply with. There is no one accountable within the City for Compliance with each piece of legislation. It has also not gathered evidence to support its compliance.</p> <p><b>2.3.1 – Recommendation</b></p> <p>Develop a Legislative Compliance Framework, Legislative Compliance Policy, Legislative Compliance Procedure and Legislative Compliance Register, Non-Compliance Register for the legislative compliance activities. Also identify Legislative Compliance Owners for specific legislation and retain evidence to support compliance.</p>	High	A Legislative Compliance Framework will be developed.	Coordinator Governance and Risk	June 2023



## 2. DETAILED OBSERVATION (CONT.)

### 2.3 Legislative Compliance (cont.)

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.3.2	<p><b>Legislative Compliance Resources</b></p> <p>There are no dedicated resources for the Legislative Compliance function. There is no one within the City with Legislative Compliance responsibilities for the above framework, policy and procedure, such as a Legislative Compliance Officer. This can be additional to other responsibilities within the City.</p> <p><b>2.3.2 – Recommendation</b></p> <p>Consider the appointment of a Legislative Compliance Officer who will be responsible for the Legislative Compliance Framework, Legislative Compliance Policy and Legislative Compliance Procedures</p>	Medium	<p>Noted. Rather than a dedicated Legislative Compliance Officer, this role can be overseen by the Coordinator Governance and Risk who commenced in January 2023</p> <p>Management considers this has been addressed and no further action is proposed.</p>	Coordinator Governance and Risk	Ongoing
2.3.3	<p><b>Legislative Compliance Culture</b></p> <p>City of Nedlands Code of Conduct has limited details relating to oversight of Legislative Compliance.</p> <p><b>2.3.3 – Recommendation</b></p> <p>Review the Code of Conduct and consider where references to legislative compliance can be enhanced.</p>	Medium	<p>Agreed. Will be addressed with the next review of the Staff Code of Conduct</p>	Coordinator Governance and Risk	December 2023
2.3.4	<p><b>Legislative Compliance Training</b></p> <p>There is no formal induction and regular training of the Legislation Owners.</p> <p><b>2.3.4 – Recommendation</b></p>	Medium	<p>Agreed. A program will be developed in conjunction with HR.</p>	Coordinator Governance and Risk	June 2023



	Consider training for Legislative Compliance Owners in their legislative compliance responsibilities under the proposed framework, policy, and procedure.				
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## 2. DETAILED OBSERVATION (CONT.)

### 2.3 Legislative Compliance (cont.)

No	Recommendation	Risk Rating	Agreed Action	Responsible Owner	Action Date
2.3.5	<p><b>Emerging Compliance Requirements</b></p> <p>There is no Legislative Compliance Strategy and / or Plan which sets out the proposed approach to Legislative Compliance, emerging changes to legislation, input into proposed legislative changes affecting the City, and how current legislative compliance responsibilities will be met over the next few years and current year.</p> <p><b>2.3.5 – Recommendation</b></p> <p>Consider the development of a Legislative Compliance Strategy (more than 1 year) or Plan (Annual Plan) which identifies the emerging and current changes to legislation, the impacts on the City, and how they will be managed.</p>	Medium	Agreed. A framework to address legislative compliance will be developed.	Coordinator Governance and Risk	December 2023
2.3.6	<p><b>Compliance Audit Return</b></p> <p>We acknowledge that Executive Officer coordinates and completes the Annual Compliance Audit Return in the Department of Local Government Smart Hub. It was identified that there is no certification process for key legislation asserting compliance with legislation. This is a key governance control to give assurance to Management prior to finalization of the Compliance Audit Return. As stated above, there is no evidence to support the compliance with legislation.</p> <p><b>2.3.6 – Recommendation</b></p> <p>Develop an approved procedure for the Compliance Audit Return and consider the implementation of a certification process to support this procedure which includes the retention of evidence to support legislative compliance.</p>	Low	<p>Noted. The City utilises the Attain platform to manage the CAR. There is provision within the software to record retention of evidence.</p> <p>The CAR has been added to the Compliance Calendar which we now have in the Attain Software. Last year's CAR was provided to the Auditor's with the Council minutes confirming</p>	Coordinator Governance and Risk	December 2023



			<p>acceptance of the CAR.</p> <p>Consideration will be given to formally include this process into a procedure in time for the 2023 CAR.</p>		
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## 3. OTHER

### 3.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

### 3.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party;
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report;
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist;

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis; and
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

### 3.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

### 3.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.



## APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING

Rating	Definition	Guidance	Action required
<b>High</b>	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	<ul style="list-style-type: none"> <li>Material errors and departures from the organisation's policies and procedures;</li> <li>Financial management / accountability / probity concerns;</li> <li>Non-compliance with governing legislation and regulations may result in fines or other penalties; and</li> <li>Collective impact of many moderate or low issues.</li> </ul>	<ul style="list-style-type: none"> <li>Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance; and</li> <li>A detailed plan of action to be approved by Management with resolution within 30 days.</li> </ul>
<b>Medium</b>	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	<ul style="list-style-type: none"> <li>Events, operational, business, and financial risks could expose the organisation to losses could be marginally material to the organisation; and</li> <li>Departures from best practice management procedures, processes.</li> </ul>	<ul style="list-style-type: none"> <li>Requires substantial management intervention and may require possible external assistance; and</li> <li>Timeframe for action is subject to competing priorities and cost benefit analysis but should not exceed 3 months.</li> </ul>
<b>Low</b>	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>Events, operational and business risks could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation, and regulatory compliance; and</li> <li>Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks.</li> </ul>	<ul style="list-style-type: none"> <li>Requires management attention and possible use of external resources; and</li> <li>Minor treatment is desirable. Action should be completed within 6 months.</li> </ul>



## CONTACT US

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[www.moore-australia.com.au](http://www.moore-australia.com.au)



HELPING YOU THRIVE IN A CHANGING WORLD

## 9.4 ARC04.02.23 Internal Audit - Asset Management Review

<b>Meeting &amp; Date</b>	Audit & Risk Committee – 20 February 2023
<b>Applicant</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Report Author</b>	Stuart Billingham – Manager Financial Services
<b>Director</b>	Michael Cole – Director Corporate Services
<b>Attachments</b>	1. Internal Audit Asset Management - See appendix 4 of Item ARC01.02.23 Moore Australia Report

Moved – Councillor Senathirajah  
Seconded – Councillor Combes

**That the Recommendation be adopted.**  
(Printed below for ease of reference)

**CARRIED 3/1**  
**(Against: Cr. Mangano)**

### **Committee Recommendation / Recommendation**

That the Audit & Risk Committee recommends that Council:

1. notes the internal auditors report on the review of the City's Asset Management; and
2. notes the management responses to those comments and recommendations.

### **Purpose**

To present to the Audit & Risk Committee the Internal Auditor's report on City of Nedlands Asset Management.

### **Voting Requirement**

Simple Majority.

### **Background**

In November 2022 Moore Australia (WA) Pty Ltd were engaged to undertake the internal audit of Asset Management at the City of Nedlands with nine matters raised as shown in the table following:

Risk Rating	Summary of Findings				Recommendations
	Total	High	Medium	Low	Total
Asset Policy, Strategy and Plans	5	-	3	2	1-6
Asset Physical Verification	2	-	2	-	7-10
Security and Control Measures	1	-	1	-	11
Asset Registers and Records	1	-	1	-	12
<b>Total</b>	<b>9</b>	<b>-</b>	<b>7</b>	<b>2</b>	

## Consultation

Moore Australia (WA) Pty Ltd, Director Corporate Services, Manager Financial Services, Finance Officer (AR, Assets & Insurance), Manager ICT, Information Technology (IT) Governance Officer, Manager City Projects and Programs, Manager Assets, Coordinator Land and Property, Coordinator Fleet, Building Maintenance Officer, Coordinator Civil Maintenance.

## Strategic Implications

This item relates to the following elements from the City's Strategic Community Plan.

**Vision** Our city will be an environmentally sensitive, beautiful and inclusive place.

**Values** **High standard of services**  
We have local services delivered to a high standard that take the needs of our diverse community into account.

**Great Governance and Civic Leadership**

We value our Council's quality decision-making, effective and innovative leadership, transparency, accountability, equity, integrity and wise stewardship of the community's assets and resources. We have an involved community and collaborate with others, valuing respectful debate and deliberation.

## Budget/Financial Implications

There are no budget or financial implications to this report.

### **Legislative and Policy Implications**

Nil.

### **Decision Implications**

Nil.

### **Conclusion**

That the Audit & Risk Committee recommends that Council:

1. notes the internal auditors report on the review of the City's Asset Management and;
2. notes the management responses to those comments and recommendations.

### **Further Information**

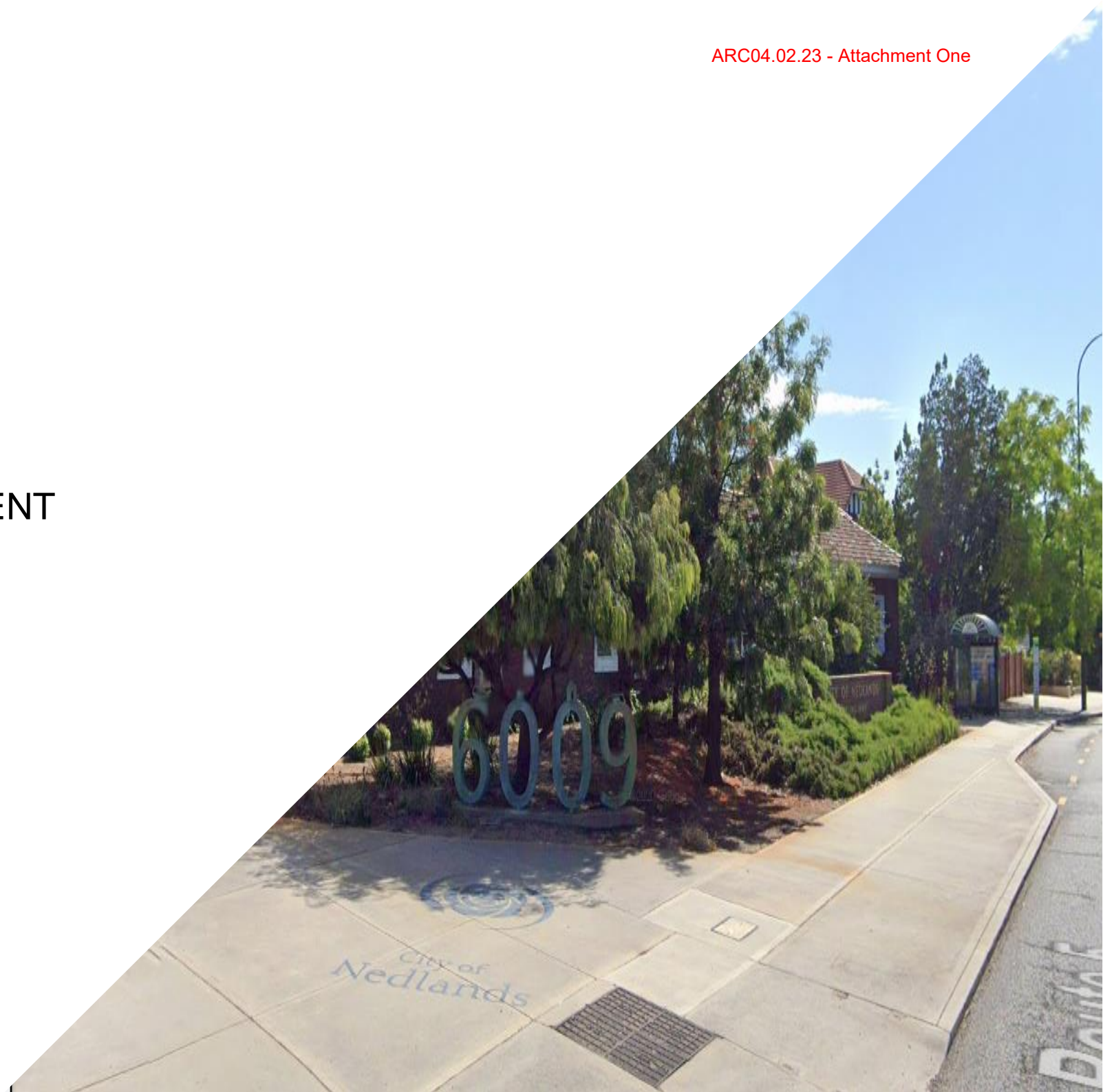
Nil.



# INTERNAL AUDIT ASSET MANAGEMENT

**City of Nedlands**

8 February 2023



# TABLE OF CONTENTS

1. EXECUTIVE SUMMARY .....	3
2. SCOPE AND APPROACH.....	7
3. OBSERVATIONS AND RECOMMENDATIONS .....	9
4 OTHER .....	25
APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING.....	26
APPENDIX 2: KEY PERSONNEL CONTACTED.....	27



# 1. EXECUTIVE SUMMARY

## 1.1. Context

The effective management of local government assets is crucial to the sustainable delivery of those services to meet the current and future needs of the community. Local governments are typically rich in assets and constrained in income, managing a large stock of long-lived assets. The key to an effective asset management is influenced by three factors: (1) the availability of Asset Management Policy, (2) a well-defined Asset Management Strategy, (3) and the completeness of the Asset Management Plans. The unification of these three factors is crucial to the successful delivery of services to meet the current and future needs of the local community. Asset Management helps Local Governments manage the stewardship of assets they are entrusted with.

The City of Nedlands has a large number of long-lived assets whereby the life cycle of these assets spans over decades. Due to its longevity, adequate maintenance should be performed over time to ensure that these assets are in their optimum state to sustainably deliver the required services to the community. It is also crucial that the planned maintenance is adequately budgeted and financed not just to fund the maintenance work but also to pay for the cost of repairs that may arise in the future as part of the wear and tear of these assets.

Asset planning is essential to ensure that assets are created, maintained, renewed, and retired or replaced at appropriate intervals to ensure continuity of services in line with chosen service levels.

The benefits of an effective Asset Management also include but not limited to:

- Improved community member's satisfaction by matching levels of service with what the community is entitled to;
- Cost savings from improved asset efficiency over the long term;
- Prolonged asset life span reducing replacement cost;
- Better sustainability and create opportunities to reallocate funds to other projects due to the cost savings achieved; and
- More transparency in decision making (stronger governance and accountability), including meeting regulatory and audit requirements.

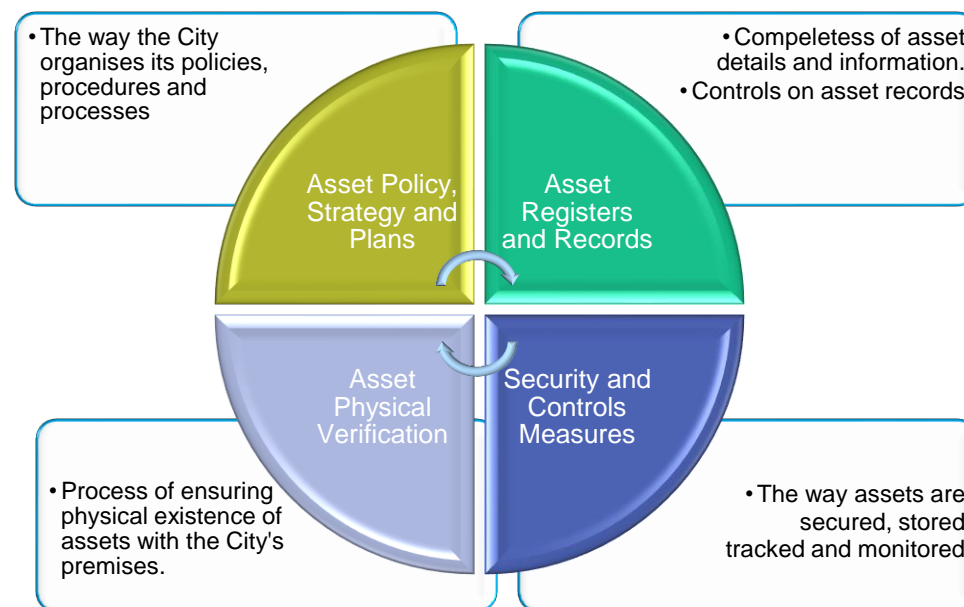
The City has engaged Moore Australia to conduct an Internal audit to evaluate the adequacy and effectiveness of internal controls over asset management. Moore Australia (WA) Pty Ltd ("Moore Australia") performed the internal audit in line with the International Standards for the Professional Practice of Internal Auditing and the Moore Australia Internal Audit Methodology.

This report presents our observations and recommendations arising from the internal audit performed. These observations and recommendations are presented, together with management's comments, in Section 3 Observations and Recommendations, and summarised below..

## 1.2 Overall Findings

We commend the City of Nedlands for the availability of the Asset Policy, Asset Strategy and the soon to be published Asset Management Plans documents. However, these documents will be revisited and updated as soon as possible to incorporate the requirements of the 'Asset Management Framework and Guidelines' for Western Australian Local Governments and to ensure that the contents are substantially aligned.

The recording of assets within asset registers are currently not consistent in the City and do not support the financial statements. Regular stocktakes and reconciliations to the financial statements are currently not performed and should be performed. Moreover, the City of Nedlands should implement strict internal controls pertaining to the physical verification of assets to minimise risk of financial losses caused by unaccounted assets or any missing assets from the City's premises.





# 1. EXECUTIVE SUMMARY (CONT.)

## 1.3. Summary of Results

There are four areas where we assessed the Asset Management Process. These areas are as follow: (1) Asset Policy, Strategy and Plans (2) Asset Physical Verification (3) Security and Control Measures and (4) Asset Registers and Records.

A summary of the enhancement opportunities against our view of the priority they may be given are identified in the below table. The results of our fieldwork are summarised in Table 1 below and detailed in [Section 3 – Observations and Recommendations](#) of this report

Risk Rating	Summary of Findings				Recommendations
	Total	High	Medium	Low	Total
Asset Policy, Strategy and Plans	5	-	3	2	1-6
Asset Physical Verification	2	-	2	-	7-10
Security and Control Measures	1	-	1	-	11
Asset Registers and Records	1	-	1	-	12
<b>Total</b>	<b>9</b>	<b>-</b>	<b>7</b>	<b>2</b>	

## 1.4. Related Internal Audits

We are not aware of any previous internal or external reviews of Asset Management.

## 1.5. Acknowledgment

We would like to thank the City's personnel for the assistance that has been extended during the engagement. Key personnel contracted are outlined in [Appendix 2](#).





# 1. EXECUTIVE SUMMARY (CONT.)

## 1.6. Summary of Results (cont.)

Summarised below are the key observations and recommendations identified during the engagement:

Category	Summary of Findings	Risk Rating
Asset Policy Strategy and Plans	<b>1. Adequacy of the Asset Management Policy, Strategy and Plans.</b> Although it is commendable that the City of Nedlands had prepared the relevant Asset Policy and the Asset Management Strategy along with the draft asset management plans, we believe that an update is required to reflect the alignment of these documents with the provisions of Asset Management Framework and Guidelines for Western Australian Local Governments.	MEDIUM
	<b>2. Periodic reporting requirements.</b> There is a lack of clarity on the enforcement of the reporting requirements for the Asset Management division of the City of Nedlands. Currently, the asset management division is not required to submit any reports regularly. It is a better practice guideline to ensure adequate reporting of divisional function to the executive management to promote awareness and evaluate results including the nature and extent of the internal control environment on these areas.	LOW
Asset Policy Strategy and Plans	<b>3. Adequacy of insurance coverage versus the fair value of assets.</b> There is a significant reliance from the insurance provider to determine and set the fair value of asset. The lack of assessment independent from the insurance provider may result to undervaluation of assets that are significantly lower than its replacement value or payout value in the event of any claim.	LOW
	<b>4. Budget adequacy for asset maintenance.</b> A huge percentage of maintenance allocations had a significant budget deficit. We also found that the operational budget was utilised to cover the shortfall as the overall maintenance budget was fully exhausted.	MEDIUM
	<b>5. Management of leased assets.</b> The City leased some its assets to third parties, but we found no detailed guidelines or procedures in place that could be reviewed to ensure that terms and conditions are complied with or whether these assets' maintenance schedules are current.	MEDIUM
Asset Physical Verification	<b>6. Asset stock take procedures.</b> Regular stock takes are not conducted within the City's premises to ascertain the physical existence and custody of the assets which will increase the likelihood of theft or missing assets resulting to potential financial losses in the future.	MEDIUM
	<b>7. Existence of physical assets within the City's premises.</b> During our physical inspection of the assets in the City's premises, we noted that assets are not tagged and numbered at all resulting to difficulty in tracing these assets using their own unique number reference along with the specific location on where these assets are located. This resulted to a number of assets that either could not be traced from the register to the physical site or vice versa.	MEDIUM



# 1. EXECUTIVE SUMMARY (CONT.)

## 1.6. Summary of Results (cont.)

Category	Summary of Findings	Risk Rating
Security and Controls Measures	<b>8. Adequacy of the security measures.</b> Although there were adequate security measures in place by the City of Nedlands, we found few exceptions during our visit. This includes a situation where the camera did not send any live footage of the admin building to the main control room at the time our physical inspection. The storage length of the different cameras varies from 8 to 24 days and are not consistent across locations.	MEDIUM
Asset Registers and Records	<b>9. Adequacy of asset recording keeping.</b> The City maintains multiple asset registers without preparing an Asset 'Master File' that can be used by all functions. There are two (2) different reports prepared; the 1 <sup>st</sup> report is for the financial records and the 2 <sup>nd</sup> report is for the operations and maintenance records – but the data in these reports do not match with each other including but not limited to the location, asset unique ID, asset cost, etc.	MEDIUM



## 2. SCOPE AND APPROACH

### 2.1. Objective and Scope

The objective of the internal audit was to assess the adequacy and effectiveness of internal controls over asset management.

The scope included consideration of the following:

- Asset Management Framework, including policies, procedures key manuals;
- Asset Register and Portable and Attractive Assets Register;
- Insurance and safeguarding of Assets;
- Asset lifecycle management (i.e., planning, purchasing, inventories, usage, maintenance, disposal, and reconciliations);
- Management of leases (as lessee and lessor); and
- Extent of compliance with relevant legislation, and alignment with better practice standards, and OAG Tabled Reports.

The period of review will be from **1 July 2021 to 30 June 2022**.

### 2.2. Approach

The methodologies applied in this review were a combination of several audit techniques to match the agreed audit objectives and scope. This review was conducted with the following approach:

- Entrance meetings and discussions with relevant stakeholders;
- Interview and meeting with different process owners who are involved in the process to understand the current environment, challenges, and opportunities;
- Walkthrough of the process to identify the inherent risks along with the process-level internal controls to mitigate these risks;

- Limited site inspections and physical visits to client premises;
- Review of documents, sample testing, and data analytics where appropriate;
- Issuance of draft report to Management;
- Exit Meeting with Management to discuss key findings and recommendations;
- Receipt of Management feedback and comments; and
- Issuance of final report to the Audit and Risk Committee and Management.

### 2.3. Reporting

During the reporting phase of this engagement, we followed this process.

- Developed a draft report outlining our findings and recommendations;
- Validated the audit observations and the details of the draft report with process owners and responsible management;
- Held an exit meeting with the responsible Executive member and responsible management to discuss the report;
- Sought Management comments, action plans, timeline, and commitment to implement the audit recommendations; and
- Issued the final report to the Audit and Risk Committee.



## 2. SCOPE AND APPROACH (CONT)

### 2.4. Limitations of Scope

Our work is limited by the following:

- The scope of our services and any deliverables will be limited to carrying out internal audit assignments in accordance with the strategic internal audit plan approved by the Audit and Risk Committee. We will only cover the scope of work approved by the Audit and Risk Committee and unless additional areas are specifically agreed with the Audit and Risk Committee during the year;
- The scope of work for this engagement as approved by Management in our *Statement of Scope* signed on 23 August 2022;
- Due to the inherent limitations of any internal control structure, we do not warrant that all weaknesses, fraud, error, or non-compliance in your control structures were detected during the course of the Engagement;
- Any testing under the Engagement is performed on a sample basis and is not conducted continuously;
- Any projections as to the assessment of the control structures in future periods are subject to the risk that the structures may become inadequate as a result of changes in conditions, or that the degree of compliance with them may deteriorate;
- We conducted appropriate tests of key controls within our scope. Our findings only relate to the period of testing undertaken during our review and cannot be relied upon to be representative of the operation of control procedures prior to or after this period;
- Performed a walkthrough of the asset management processes to assess the effectiveness of controls in place and perform data analytics, where relevant and appropriate;
- The internal audit report was prepared on an “exception-basis”, which means we only provided commentaries on areas where we observed improvement opportunities on controls or enhancement to the compliance posture;
- The internal audit was predominantly performed remotely, with limited site visits and staff interviews performed. We have relied solely on the information and documentation provided to us by Management and Staff and have not performed a review on the authenticity of the information and documentation provided. There is a risk the information may have been altered prior to being provided to Moore Australia and there is a risk this may not be identified by Moore Australia. This may impact on the results reported within this report;
- We have not undertaken a review of the financial recording of road assets as this is covered during the external audit process;
- We have not included leased assets in our review, given that the current policy for the management of leased assets is in draft and not yet approved;
- The provision of internal audit services is an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standard Board, and consequently no opinions or conclusions are intended to convey assurance; and
- Our report is for your purposes only and not for publication, quoting or reliance by any other party.



### 3. OBSERVATIONS AND RECOMMENDATIONS

#### Asset Policy, Strategy and Plans

Adequacy of the Asset Management Policy, Strategy and Plans	Rating
<b>Finding 1. Minor improvements required for Asset Management Strategy, Policy and Plans</b>	<b>MEDIUM</b>

The key to an effective asset management process is influenced by several elements. In fact, these elements were clearly defined in the 'Asset Management Framework and Guidelines' for Western Australian Local Governments published on May 2011 ([Refer to link 'Asset Management'](#)) to include the following factors: (1) Asset Management Policy (2) Asset Management Strategy (3) Asset Management Plans (4) Evaluation of Process and Plans. All these elements should also be linked to the broader Strategic Community Plan, Corporate Business Plan with the Long-term Financial Plan acting as a conduit between these elements.

We reviewed the adequacy of the City of Nedlands' Asset Management Framework, Policy, Strategy and Plans and compared it with the requirements described in the above guidelines to identify any gaps wherever applicable. We found instances where the City's existing strategy and policy did not align against the guidelines as described below:

As per the guidelines of the Western Australian Local Governments	As per the City of Nedlands Existing Documents	Gaps identified between the guideline and the document maintained by the City
Asset Management Policy	Asset Management Policy published on 23 <sup>rd</sup> Feb 2021	<p>The City's Asset Management Policy was initially adopted in 2010, with reviews in 2012, 2015 and 2021. It is a very brief document, which essentially states that the City will ensure that it has funds for maintenance and refurbishment of assets and investment in new / upgraded assets. It is not sufficient to guide the development of the other documents required.</p> <p>The City's policy is insufficient and did not contain important information pertaining to:</p> <ul style="list-style-type: none"> <li>organisational context and importance of asset management;</li> <li>organisation's vision and goals for asset management;</li> <li>asset management responsibilities and relationships;</li> <li>broad time frames and deadlines;</li> <li>integration of asset management into the organisation's business processes;</li> <li>audit and review procedures; and</li> <li>no policies for the management of fleet, when to dispose of fleet assets, how to purchase fuel, etc.</li> </ul> <p>An Asset Management Policy outlines a local government's asset management objectives, targets and plans. It establishes a platform for service delivery and provides the framework that enables the Asset Management Strategy and Plans to be produced. The Asset Management Policy must support a 'whole of life' and 'whole of organisation' approach to asset management.</p>

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Adequacy of the Asset Management Policy, Strategy and Plans (cont.)	Rating
<b>Finding 1. Minor improvements required for Asset Management Strategy, Policy and Plans (cont.)</b>	<b>MEDIUM</b>

As per the guidelines of the Western Australian Local Governments	As per the City of Nedlands Existing Documents	Gaps identified between the guideline and the document maintained by the City
Asset Management Strategy	Asset Management Strategy 2019 – 2029	<p>The City does have an Asset Management Strategy which was drafted in 2019 as a 10-year strategy, however without an appropriate Asset Management Policy it cannot be demonstrated that it aligns to the City's objectives, targets, and plans.</p> <ul style="list-style-type: none"> <li>The Asset Management Strategy must link the 'whole of life' costing for each asset class with the local government's annual budget and long term and operational financial planning;</li> <li>Level of service is the defined service quality for a particular activity (i.e., roading) or service area (i.e., street lighting) against which service performance may be measured; and</li> <li>Good governance and management arrangements ensure that asset management is adequately linked to service delivery.</li> </ul>
Asset Management Plan	The Asset Management are in draft stage and not yet published.	<p>Ensure that the contents of the plans are substantially aligned with the guidelines. Asset Management Plans should include:</p> <ul style="list-style-type: none"> <li>Reference to an asset register (which records all assets and their location, acquisition, disposal, transfer, and other relevant transactions based on best current information and random condition / performance sampling);</li> <li>Defined levels of service for each asset category or actions required to provide a defined level of service in the most cost-effective manner;</li> <li>Demand forecasting;</li> <li>Risk management strategies;</li> <li>Financial information such as asset values, depreciation rates, depreciated values, capital expenditure projections for new assets because of growth, or to renew, upgrade and extend assets;</li> <li>Strategies to manage any funding gaps;</li> <li>Consideration of alternative service delivery solutions (leasing, private / public partnerships, shared services arrangements);</li> <li>Information on 'whole of life' costing including changes in service potential for assets;</li> <li>A schedule for asset performance review and plan evaluation;</li> <li>An asset management improvement program; and</li> <li>Clear linkages to other strategic documents such as the Corporate Business Plan, Long Term Financial Plan and Annual Budget.</li> </ul>



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Adequacy of the Asset Management Policy, Strategy and Plans (cont.)	Rating		
<b>Finding 1. Minor improvements required for Asset Management Strategy, Policy and Plans (cont.)</b>	<b>MEDIUM</b>		
<p>Overall, it is important to highlight that the City of Nedlands is keen to implement better practices related to Asset Management, however we still believe that the current documents do not fulfil the requirements of the Asset Management Framework and Guidelines for Western Australian Local Governments and must be updated to incorporate the other elements. Sustainability of assets should be managed so that the benefits of the services supported are available for future generations. They should also ensure that continuous improvement of asset management actions are added, which may range from data collection processes (e.g., condition grading of high criticality assets) through to process change (e.g., developing a capital works decision making framework).</p> <p><b>Implications</b></p> <p>Increase likelihood of noncompliance. Whilst we can clearly see that the City has been proactively developing the relevant framework, strategy, and policy, we are still of the opinion that these documents need to be reviewed as soon as possible, to ensure substantial alignment with the existing guidelines. This is not just to mitigate the associated risks involved around Asset Management but also to ensure that better practices, principles and procedures are embedded into the City's long-term objectives.</p>			
<b>Management Comment</b>			
<p>We agree with the Audit findings and are working to improve the overall Asset Management documentation and processes within the City. This is an ongoing process, and significant improvements have been made over the past 12-18 months. The Team are working on the next round of updates to the AMP's and associated documentation, strategy's and processes.</p> <p>Due to the current maturity of the City's Asset Management Practices this improvement process will continue over the next 3-5 years.</p>			
Recommendations	Agreed Action	Action Owner	Target Date
1. Review and update the existing Asset Management Policy, Asset Management Strategy to align with the guidelines with the <i>Asset Management Framework and Guidelines</i> for Western Australian Local Governments;	Undertake a review of the Asset Management Strategy after the SCP is endorsed.	Director Tech Services	December 2024.
2. Develop, approve and implement an Asset Management Plan. Ensure that the plan is linked to the strategy and the applicable policy. It should include the Lifecycle Management Plan details to address how the organisation plans to manage and operate the assets at the agreed levels of service while optimising life cycle costs;	Annually review and update Asset Management Plans for all major Asset classes (Roads, Footpaths, Drainage, Parks, Buildings).	Manager Assets	June 2023.



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Periodic reporting requirements	Rating		
<b>Finding 2. Undefined formal reporting requirement on matters related to asset management</b>	<b>LOW</b>		
<p>The City's Asset Management Strategy 2019 -2029, under Section 4 – Legislation, specifies compliance to the Western Australian Local Government Integrated Planning and Reporting Framework ("IPRF").</p> <p>Section 4.5 of the IPRF states that "all local governments in Western Australia are required to submit monthly reports of financial activity in line with regulation 34 of the Local Government (Financial Management) Regulations 1996. Most local governments include non-financial progress reporting monthly, which is consistent with good practice. At a minimum, this should be undertaken on a quarterly basis.</p> <p>We understand that the finance division is responsible for the financial reporting of assets, however, during interviews with the City's asset management and operational team, we found that there was no formal requirement for periodic reporting on the operations of assets that could be useful for timely decision making. There was also no reporting requirements that include the reconciliation difference between Financial and Operations asset records and the actions taken to bring these reports into an agreement.</p> <p><b>Implications</b></p> <ul style="list-style-type: none"> <li>• Management may not be well-informed resulting in poor decision making at a strategic level;</li> <li>• Officers are not held accountable for their activities and results; and</li> <li>• Poor value for money from the use of public funds.</li> </ul>			
<b>Management Comment</b>			
Reporting does occur on a monthly basis on a number of Asset Management themes / topics through the weekly CEO update. This report is currently immature and is under a review and improvement process over the coming months. Reporting is expected to improve on detail and maturity with the implementation of the Works and Assets module of One Council.			
Recommendations	Agreed Action	Action Owner	Target Date
3. Consider implementing a reporting process for key operational divisions responsible for the City's asset management to provide periodic reports showing status, activity, incidents, or any key information needed to improve asset management;	Develop an integrated reporting framework based on the current Asset Management Strategy, which will be reviewed and once the SCP is complete and a new AMS/P is in place.	Director Tech Services, Corporate Planning Officer	June 2024





### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Adequacy of insurance coverage versus the fair value of assets	Rating
<b>Finding 3. Absence of internal asset valuation process to determine assets 'Fair Value'</b>	<b>LOW</b>

The practice of assessing the fair value of assets is important to ensure that the valuation of the assets owned by the City matches the market value as of a specific period. This is also important to evaluate the adequacy of the insurance coverage to minimise the financial risk due to unforeseen events.

From the documents we verified, the City maintains two (2) types of records. One record is the asset register in 'AssetFinda' that contains the list of assets for operations and maintenance use while the second record is the Trial Balance extracted from 'Authority' for finance use.

- We found that only the 'AssetFinda' contains Fair Value amounts and the Fair Value date – but the fair values were either more than 4 years or 8 years ago;

Category	Latest Fair Value Dates	Category	Latest Fair Value Dates
Buildings	30 Jun 2014	Park Assets	30 Jun 2018
City Infrastructure	30 Jun 2018	Park Boundary	NA
Drainage Catchment	None	Park Irrigation	None
Drainage Pipes	30 Jun 2018	Path Network	30 Jun 2018
Drainage Pit	30 Jun 2018	Road line	None
Drainage Plant	None	Streetlights	30 Jun 2018
Land Tenure	NA	Urban Trees	NA
Minor Plant	NA	Waste	None
Natural Areas	30 Jun 2018		
Off Street Park	Has fair value amounts but no fair value dates	Motor Vehicle	No separate report with fair value amount

- We also found that the value of motor vehicles valuation is performed by the LGIS template worksheet. LGISWA is the insurance provider where the City buys the protection of its assets; and
- The City uses LGIS self-insurance scheme for the insurance of assets. A representative from LGIS liaises with the officer responsible at the City for covering renewals or policy matters.

Overall, there is currently no internal process in place to ensure fair valuation of the City's assets. Reliance is placed on the knowledge of the LGIS representative to ensure coverage is sufficient.

#### Implications

Under insurance of assets, whereby in the event of a claim the full replacement cost of the asset may not be received.

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

**Asset Policy, Strategy and Plans**

<b>Adequacy of insurance coverage versus the fair value of assets (cont.)</b>	<b>Rating</b>
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<b>Finding 3. Absence of internal asset valuation process to determine assets 'Fair Value' (cont.)</b>	<b>LOW</b>
--	------------

**Management Comment**

The revaluation cycle each class of asset revalued at least every 5 years is currently underway. Fleet vehicles were reviewed and valued at 2022/23 Insurance renewal based on Red Book Market valuations as recommended by LGIS Account Manager to ensure not underinsured. Buildings Register reviewed each year between revaluations every 5 years to ensure buildings replacement value covered on insurance renewal. LGIS do not provide valuations, rather they provide last year plant and buildings registers for review and updating based on market conditions etc.

Recommendations	Agreed Action	Action Owner	Target Date
4. Perform a fair value assessment of assets, independent from the valuation provided by the insurance provider. This can be done inhouse or outsourced to a qualified professional;	The 5 yearly revaluation cycle is just about to go to market for Infrastructure Assets (all infra classes). This process should be complete by the end of the financial year.	Manager Finance	June 23.



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Budget adequacy for asset maintenance	Rating
<b>Finding 4. Maintenance Budget Limitations</b>	<b>MEDIUM</b>

A maintenance budget is an essential element of Asset Management. It sets out the expected cost of meeting maintenance objectives in a timely manner. The City's Asset Management Policy 23 February 2021 states, "Asset management is a key objective in the City's ten (10) year Strategic Community Plan and Strategic Plan and shall be incorporated into long term financial management plan. The City's strategic financial plan will ensure that:

- (a) Sufficient funds are allocated as a priority each year to operate, maintain and, refurbishment or replacement of existing assets throughout their lifecycle; and
- (b) Ensure funds are identified and allocated where appropriate for the investment in new or upgraded assets."

During our review of asset maintenance process, the Maintenance Coordinator stated in an interview that the maintenance budget allocation was not fully sufficient to expand maintenance activities therefore the division's operational budget was utilised to cover for shortfalls in the overall maintenance budget. We further analysed a report from the Finance Division, 'Year-To-Date ("YTD") for June 2021-22 Profit & Loss Data' which showed a total of 46 asset Maintenance Activity ("MA") actuals versus annual budget expenditures for years 2021 and 2022. The following inconsistencies were identified:

Over Budget Items:	Under Budget Items:
<ul style="list-style-type: none"> <li>• For the period reviewed, 34 MA spendings were over budget by \$6,378,645;</li> </ul>	<ul style="list-style-type: none"> <li>• 2 MAs had a total annual budget of \$60,000. but no actual spending for the period; and</li> </ul>
<ul style="list-style-type: none"> <li>• 33 out of the 34 MAs totaling \$6,349,385. had no budget allocation figures;</li> </ul>	<ul style="list-style-type: none"> <li>• 12 MAs were under budget by \$7,130,209.</li> </ul>
<ul style="list-style-type: none"> <li>• There was one MA for the period that exceeded the allocated budget by \$29,260;</li> </ul>	

Overall, the actual spending for the period reviewed was less than the total budget allocation by \$751,564. However, 74% of MA allocations individually had significant budget deficits.

#### Implications

Without proper planning and allocation of maintenance budgets, the City is likely to encounter delays in maintaining the assets which could eventually impact business continuity.

#### Management Comment

The issues with misallocation of maintenance budgets was identified by the Finance / OneCouncil team during the 2022/23 budget process. The misallocation has now been corrected.

Recommendations	Agreed Action	Action Owner	Target Date
5. Cost allocations for maintenance activities should be monitored on a timely basis to ensure that areas of significant variance in actuals and budget are adjusted appropriately and improved for the next financial period;	Maintenance budgets are monitored by Coordinators, and reported via the fortnightly Tech Services Managers meeting and monthly in the CEO week update.	Tech Services Managers	N/A Already completed



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Management of leased assets	Rating
<b>Finding 5. Lack of formal process in managing of leased assets</b>	<b>MEDIUM</b>

The activities in managing owner-occupied assets are different from the leasing of assets. Apart from the lease agreements, billing, and collection activities - there should also be clear guidelines on how to manage the maintenance and regular inspections of these assets to ensure that leased assets are used as per the terms of the lease agreement.

The City has several assets that are leased to different tenants at varying terms and duration. We selected a sample of five (5) assets and conducted a physical inspection to evaluate the conditions of these assets and the nature of the leasing activities within these premises.

Lease Asset	Register Lease Period = Actual Lease period?	Was the lease Signed?
Hollywood Subiaco Bowling Club Lease	Yes	Yes
Maisonettes Unit 4	Yes	Yes
Nedlands Golf Club Lease	Yes	Yes
Suburban Lions Hockey Club Lease	Yes	Yes
Tresillian Arts Centre Studio Lease 48-2	Yes	Yes

We also inquired with the Asset Manager and Coordinator Land and Property about the relevant guidelines followed when leasing these assets. We found that :

- The City does not have an approved operating policy and procedure for leased assets. A policy has been drafted but not yet published;
- There are no budget allocations for leased assets;
- There are no agreements or contributions for the City's ovals;
- Maintenance work done on leased properties by tenants are not inspected by the City; and
- No evidence of assessment of the condition of the property at the start and end of the occupancy period on completed leases. We found a few samples of leased facility inspection reports, for example – 'College Park Family Centre', but we received no available records for all leases in the past three (3) years.

#### Implications

Lack of proper management of leased assets can lead to the City having limited oversight on the operational condition and status of leased assets, which lead to potential write-offs or additional cost due to increased maintenance activities.



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Policy, Strategy and Plans

Management of leased assets (cont.)			Rating
Finding 5. Lack of formal process in managing of leased assets (cont.)			<b>MEDIUM</b>
Management Comment			
This area has been identified as requiring improvement and development. A working group has been established to provide input into a new Leasing, Licensing, Exclusive Licensing and Hiring of Community Facilities Policy which provides guidance on maintenance requirements, inspections, and budget allocations. The new proposed policy would apply to all new leases entered into after the policy is endorsed by Council.			
Recommendations	Agreed Action	Action Owner	Target Date
6. Develop a formal guideline on leased assets that should include maintenance requirements, inspections, and budget allocations;	<p>The draft policy will be presented to Council at the Feb OCM for comment and approval to proceed to stakeholder consultation.</p> <p>A final draft of the policy will be presented to Council at the April OCM for endorsement.</p> <p>Budget allocations will then be made as part of the 23/24 budget process based on the outcome of the Policy adoption.</p>	Coordinator Land and Property and Manager Assets	June 2023

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Physical Verification

Asset stock take procedures	Rating		
<b>Finding 6. No practice of conducting periodic asset stock takes to verify existence of City's assets</b>	<b>MEDIUM</b>		
<p>To verify the existence of assets, it is important to conduct a periodic stock take e.g., every three (3) years. In fact, this guideline is also emphasized in the Western Australian Local Government Accounting Manual, Section 9 – Asset Accounting, states, under 9.1.6 Asset Inspection and Control - Asset Stock takes, “An effective way to ensure the reliability of an asset register is to conduct regular (at least every three years) physical stock takes and physically assessing what assets are still controlled by the local government. Various unique identification systems are commercially available to help with this process. Where discrepancies emerge from this physical assessment then these occurrences should be investigated to ensure control measures are sufficient to safeguard the local government’s assets and maintain the accuracy of the asset register.”</p> <p>We conducted interviews with key process owners i.e., Asset Manager, to evaluate the City’s alignment with the above guideline and to identify control gaps, if any. We also requested for the records of the previous stock takes conducted in the past five (5) years, however, we were informed that:</p> <ul style="list-style-type: none"> <li>• There were no asset stock takes conducted in the last five (5) years for all the asset categories;</li> <li>• No existing asset policy that mandates the regular stock take activity;</li> <li>• There is no plan to undertake the stock take soon; and</li> <li>• Roles and responsibilities about custody, storage, maintenance, and record keeping are not clearly defined in any existing asset management documents.</li> </ul> <p><b>Implications</b></p> <p>This increase failure to identify physical missing assets potentially caused by theft or by any other deliberate act.</p>			
<b>Management Comment</b>			
<p>Stocktaking is a key measure to ensuring assets are managed. The new asset register system within OneCouncil will be used to better track and manage the City’s portable and attractive items. An EMT decision has been made to focus on high value, portable and attractive items, with Managers to assist in stocktake and management of their teams’ items.</p>			
Recommendations	Agreed Action	Action Owner	Target Date
7. Conduct a periodic stock takes of at least every three years to verify asset physical existence. Consider splitting the stock take by asset category;	A program for periodic stock takes is to be developed and implemented.	All Managers – Manager Finance to take lead.	June 2023.
8. Embed the stock take requirements into the Asset Management Policy;	Stocktake of portable and attractive items will be included into the policy update at the time of update with the updated Assets Strategy (following the new SCP adoption).  An procedure will be developed and taken to EMT alongside the initial stocktake in June 2023	Manager Assets  Manager Finance	June 2024  June 2023



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Physical Verification

Existence of physical assets within the City's premises	Rating
<b>Finding 7. Instances of untraceable assets due to non-use of asset tags and numbers</b>	<b>MEDIUM</b>

Effective internal controls over asset management requires that any assets located in the City's premises should be traceable into the 'Asset Register' list anytime. The City of Nedlands maintains an 'Asset Register' that lists the complete number of assets in the City. This is managed by the Asset Manager who handles the administration and recordkeeping of these assets.

We conducted a visual inspection with the assistance of the Asset Manager to verify the existence of these assets at the (a) City Depot (b) Administration office and (c) inside the Library building, which we conducted on the 2nd Nov 2022 and on 8th Nov 2022. The results of our inspection revealed control gaps as follow:

- Nine (9) out of eleven (11) samples that are listed in the 'City Depot Asset Register' could not be located physically in the City Depot;

Asset #	Asset Description	Asset #	Asset Description	Asset #	Asset Description
10557	DR SITE Equipment Set up	11044	iPad Pro12.9" 256GB Grey	11091	Microphones_XL2 Audio & Acoustic Analyzer
10850	Electronic Whiteboard, 3x LG 32" Full HD	11072	New Projector & Screen Solution for Age	10956	FortiGate 300D Hardware plus_3 year
10944	Tablet iPad Pro 12.9 32GB Space Grey	11091	Microphones_XL2 Audio & Acoustic Analyzer	11072	New Projector & Screen Solution for Age

- Fourteen (14) out of fifteen (15) samples that are listed in the 'Admin Bldg. Asset Register' could not be located physically anywhere in the Admin Building;

Asset #	Asset Description	Asset #	Asset Description	Asset #	Asset Description
30414	HP DESKJET 670C Printer	30705	Nokia 6610 Mobile Phone & Leather Case	30001	Television – Colour Sony
30489	Panasonic 15" Multimedia LCD Monitor	30900	Mobile Phone Motorola V3X	30346	Sharp F01650 Fax Machine (CR SIMPSO...
30494	Notebook – Toshiba TECRA	11041	Workstation – At Nedlands Library	30355	Canon Video Camera (Health)
30704	Nokia 6610 Mobile Phone & Leather case	10268	Audio Visual system, Nedlands Library	30349	1 Digital PC
30413	Toshiba Satellite Pro 470CDT Pentiu	30188	Photocopier – Sharp SF8100 (MTCL LI		

- Four (4) items that include (Fisher & Paykel fridge), Hisense fridge, Dinamica Plus Coffee Machines) – can be found inside the kitchen area of the Office Admin building but couldn't be traced back to the 'Asset Register' as this is not on the list; and
- All items inspected physically did not contain any 'asset tag' or 'asset numbers', that uniquely identify these assets which cause difficulty in validating as we have to rely on the item description or brand name to match it to the Asset Register listing.

#### Implications

Weak internal controls in asset management could increase the risk of asset loss or theft resulting in financial losses. This could also increase the risk of failure to effectively facilitate service delivery to the local communities particularly in situations where assets could not be located.



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Asset Physical Verification			
Existence of physical assets within the City's premises (cont.)			Rating
Finding 7. Instances of untraceable assets due to non-use of asset tags and numbers (cont.)			<b>MEDIUM</b>
Management Comment			
The City agrees with this finding and has identified that the One Council solution will assist in the management of portable and attractive items.			
Recommendations	Agreed Action	Action Owner	Target Date
9. Implement an asset tagging process to ensure that assets are identified uniquely and can be traced to the Asset Register. At a minimum, the asset tags should include the asset number reference and / or asset category reference;	Portable and attractive items inventory to be updated and a stock take to occur. All items on the Portable and Attractive item register to be tagged.	Manager Finance, Manager IT.	December 2023.
10. Validate unrecorded assets and include in the Asset Register;	Finance to coordinate an update to the Portable and Attractive items register.	Manager Finance	December 2023.



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Security and Control Measures

Adequacy of the security measures	Rating
<b>Finding 8. Access and security controls gaps noted during inspection</b>	<b>MEDIUM</b>

The adequacy of security and access controls within the City's premises is critical in preventing and detecting unauthorised entries or movements within the area. This also decreases the risk of susceptibility to theft of high-value assets particularly the artwork, electronic equipment, expensive mobile phones, or iPads, that could be easily taken from the City's admin office or from anywhere within the City's jurisdictions where these assets are kept.

- A. We physically inspected 10 locations on the 8<sup>th</sup> of Nov 2022 where high-value assets are located to verify the installed security systems such as CCTV cameras, biometrics, and swipe card access controls. The results were noted in the below table; and

Security Measures in Place	Audit Observations During the Visual Inspection	Recommended Actions
CCTV Camera	Working and in good condition. Noted some dust particles on the lenses	Consider cleaning the camera lenses twice a year.
Swipe Card controls	Working and in good condition	None
Control Room at City Depot	The City uses a software named 'NUU'. At the time of audit visit, the surveillance monitor did not display the live camera footage for the 'Admin Building' and was blacked out – not transmitting live video to the monitoring screen.	Call the software provider and request to fix the camera footage immediately.
Personnel in the Main Control Room	There is only one personnel assigned in the main control room. No alternate staff and admin access privileges was also managed by the same staff.	Consider providing addition admin privileges to another staff as a backup control to mitigate risk in situations where the main personnel is on vacation or will be absent from work for unknown reasons.
Storage of camera recording	Inconsistent recording of cameras. Per interview with the Main Control personnel, we were informed storage of recording is for 24 days for Depot and 8 days for Admin office – due to lack of storage capacity of the backup drives.	Increase storage capacity to increase length of recording to at least 30 days for all locations.

- B. We also found that the back gate – intended to be used as a 2nd gate in the City Depot – was locked with a chain and a padlock and is not being used anymore (Appendix 3). The pathway was also obstructed by a damaged truck which may prevent entry and exit of vehicles in an event of an emergency like fire, or similar incidents.

#### Implications

The absence of proper security control measures will increase risk of financial losses caused by theft, unaccounted missing items, or abandoned assets.

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

Security and Control Measures			
Adequacy of the security measures			Rating
Finding 8. Access and security controls gaps noted during inspection			<b>MEDIUM</b>
Management Comment			
The City does not believe that issues surrounding how CCTV and security are managed should form part of the scope of an Asset Management Audit. Although some items raised are valid in the context of the way the City manages CCTV, this should not form part of this audit.			
Recommendations	Agreed Action	Action Owner	Target Date
11. Contact the CCTV software provider to fix the monitoring screen in the main control room and request additional storage capacity for the backup of camera recording. Implement the other recommendations described point A and B above;	<p>Storage duration to be increase to meet minimum legislative requirements.</p> <p>Additional staff to be trained and given access to the security system.</p> <p>Camera feed for the Administration building to be repaired.</p> <p>The vehicle gate is not in use, and not intended to be used as a second access point and there is no requirement for it to be unlocked in business as usual. In unusual circumstances or emergencies, the gate could be used, noting that a pedestrian emergency exit is co-located with this gate.</p>	<p>Manager IT</p> <p>Manager City Projects and Programs</p>	June 23.



### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Registers and Records

Accuracy of asset record keeping	Rating
<b>Finding 9. Lack of reconciliation process amongst multiple 'Asset Registers' used</b>	<b>MEDIUM</b>

Proper recording of assets, maintained in one 'Master File', is an example of a good internal control. If multiple records are maintained for these assets, a reconciliation process should be in place to ensure that there is a link between the assets to easily track additions, modifications, or deletions. The results of the reconciliation could easily identify differences between these registers that should be investigated.

The City has two (2) existing reports where assets are being listed and tracked. The first one is the CVR Trial Balance generated from the Software 'Authority', and the second report is generated from the 'Asset Finda' software. Both reports contain data such descriptions, category, cost and other information about the asset. We matched these reports and noted that the asset details did not match between the reports.

- We compared the samples in the below table, and we found that:

I. The closing balance reflected in 'Authority' is different from the purchase cost reflected in the 'AssetFinda'; and

II. The asset ID is different between the two reports;

CVR Trial Balance (Software Authority)		Register Extracted from "Asset Finda"			
CVR Category	Description	Closing Balance	Asset ID	System Name	Purchase Cost
200105	Allen Park Lower Pavilion and Changeroom	441,966.58	B0601	Allen Park Lower Pavilion – Fitout	985,459
200205	Allen Park Lower Pavilion and Changeroom	87,927.05	B06	Allen Park Lower Pavilion – Structure	55,524.05
200305	Allen Park Lower Pavilion and Changeroom	619,216.28	B0603	Allen Park Lower Pavilion – Roof	42,715
200112	Mt Claremont Community Centre Structural	850450.52	B43	Mt Claremont Community Centre – Structure	26,153.27
200212	Mt Claremont Community Centre Fitout	601576.04	B4301	Mt Claremont Community Centre – Fitout	0.00
200312	Mt Claremont Community Centre Mechanic	634261.51	B4302	Mt Claremont Community Centre – Mechanical	0.00
200412	Mt Claremont Community Centre Roof	485023.51	B4303	Mt Claremont Community Centre – Roof	0.00

- Based on our further discussions with the Asset Manager, we were informed that the trial balance from 'Authority' is being used by finance while the 'AssetFinda' report is being used by the maintenance department who performs checks, repairs, and any other preventive maintenance tasks to ensure that the asset is in good working condition for optimum use. However, we could not find any evidence of reconciliation conducted to match the details between these two (2) reports;
- We also found that the City does not maintain a 'Master File' combined for all the asset registers. There are multiple registers maintain, each has a different purpose. This includes the (1) Minor Assets Register – manual register for portable assets mainly consisting of electronic items and equipment, and (2) Mobile Device Register – list of all mobile devices used by the City. However, both registers have incomplete details where the 'Assigned To', 'Location' and 'Custodian' are empty in most of the items in the list; and
- From our review of the various asset registers from AssetFinda and Authority as well as extracts provided by the Finance Officer, there is no consistent complete list of asset additions in the period. The "additions" per the AssetFinda system are not the same as those in the "Authority" system

### 3. OBSERVATIONS AND RECOMMENDATIONS (CONT.)

#### Asset Registers and Records

Accuracy of asset record keeping (cont.)			Rating
<b>Finding 9. Lack of reconciliation process amongst multiple 'Asset Registers' used (cont.)</b>			<b>MEDIUM</b>
<b>Implications</b>			
Having numerous asset registers with unreconciled records increases the risk of error, misrepresentation of financial records, inability to locate or track assets and possible loss of assets.			
<b>Management Comment</b>			
We acknowledge there are currently two Asset registers in use at the City. The implementation of the Works and Assets module of One Council will consolidate these two registers.			
Recommendations	Agreed Action	Action Owner	Target Date
12. Consider merging all Asset Registers into one to ensure a consistent approach as a single source of truth in the City which supports the financial statements; and	Consolidation of the two Asset registers is underway with the implementation of the Works and Assets module of One Council.	Manager Assets and Manager Finance	December 23
13. Reconcile the asset register used for financial records against the asset register used for operations and maintenance to identify missing items that warrants adjustments in the financial books.	Consolidation of the two Asset registers is underway with the implementation of the Works and Assets module of One Council.	Manager Assets and Manager Finance	December 23



## 4 OTHER

### 4.1. Disclaimers

Moore Australia (WA) Pty Ltd as agent, an independent member of Moore Global Network Limited, and a Perth based partnership of trusts carries on business separately and independently from other Moore Global Network Limited member firms worldwide.

Services provided under this engagement are provided by Moore Australia (WA) Pty Ltd as agent and not by any other independent Moore Global Network Limited member firms worldwide. No other independent Moore Global Network Limited member has any liability for services provided.

### 4.2. Basis of Use

This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:

- Other than use by you for the purpose, our report cannot be issued, accessed, or relied upon by any third party without our prior written approval. Furthermore, neither the report nor extracts from it will be included in any document to be circulated to other third parties without our prior written approval of the use, form, and context in which it is proposed to be released. We reserve the right to refuse to grant approval to issue the reporting to any other party;
- Our internal audit work was performed in accordance with the International Standards for the Professional Practice of Internal Auditing contained in the International Professional Practices Framework issued by the Institute of Internal Auditors. It did not constitute an audit or review in accordance with standards issued by the Auditing and Assurance Standards Board and accordingly no such assurance under those standards is provided in this report;
- The matters raised in this report are only those which came to our attention while performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist;

- We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to statements and representations made by, and the information and documentation provided by, Management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the client. The Internal Audit findings expressed in this report have been formed on the above basis; and
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

### 4.3. Conflicts of Interest

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services rendered. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

### 4.4. Liability

Moore Australia (WA) Pty Ltd trading as agent – ABN 99 433 544 961, an independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation.

## APPENDIX 1: KEY TO SIGNIFICANCE OF RISK RATING

Rating	Definition	Guidance	Action required
<b>High</b>	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	<ul style="list-style-type: none"> <li>Material errors and departures from the organisation's policies and procedures;</li> <li>Financial management / accountability / probity concerns;</li> <li>Non-compliance with governing legislation and regulations may result in fines or other penalties; and</li> <li>Collective impact of many moderate or low issues.</li> </ul>	<ul style="list-style-type: none"> <li>Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance; and</li> <li>A detailed plan of action to be approved by Management with resolution within 30 days.</li> </ul>
<b>Medium</b>	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	<ul style="list-style-type: none"> <li>Events, operational, business, and financial risks could expose the organisation to losses could be marginally material to the organisation; and</li> <li>Departures from best practice management procedures, processes.</li> </ul>	<ul style="list-style-type: none"> <li>Requires substantial management intervention and may require possible external assistance; and</li> <li>Timeframe for action is subject to competing priorities and cost benefit analysis but should not exceed 3 months.</li> </ul>
<b>Low</b>	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>Events, operational and business risks could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation, and regulatory compliance; and</li> <li>Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks.</li> </ul>	<ul style="list-style-type: none"> <li>Requires management attention and possible use of external resources; and</li> <li>Minor treatment is desirable. Action should be completed within 6 months.</li> </ul>



## APPENDIX 2: KEY PERSONNEL CONTACTED

We would like to thank the following personnel for their assistance in the conduct of this internal audit. These are presented in alphabetical order by surname.

Name	Role
Tony Benson	Manager ICT
Stuart Billingham	Manager Financial Services
Mike Cole	Director Corporate Services
Steve Crossman	Coordinator Fleet
Nalin Dias	Information Technology (IT) Governance Coordinator
Finn MacLeod	Manager Assets
Peter Scasserra	Coordinator Land and Property
Marcus Sinden	Building Maintenance Coordinator
Jason Spyker	Coordinator Civil Maintenance
Daniel Kennedy-Stiff	Manager City Projects and Programs
Daniel Wong	Finance Officer (AR, Assets & Insurance)

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HELPING YOU THRIVE IN A CHANGING WORLD



## 9.5 ARC05.02.23 OneCouncil Project Status Report

<b>Meeting &amp; Date</b>	Audit & Risk Committee – 20 February 2023
<b>Applicant</b>	City of Nedlands
<b>Employee Disclosure under section 5.70 Local Government Act 1995</b>	Nil.
<b>Report Author</b>	Emma Van der Weile – Project Manager (ERP)
<b>Director</b>	Michael Cole – Director Corporate Services
<b>Attachments</b>	Nil.

Moved – Councillor Combes  
Seconded – Councillor Senathirajah

**That the Recommendation be adopted.**  
(Printed below for ease of reference)

**CARRIED 3/1**  
**(Against: Cr. Mangano)**

### **Committee Recommendation / Recommendation**

**Audit & Risk Committee receives the OneCouncil Project Status Report.**

### **Purpose**

The purpose of this report is to clearly demonstrate the Project status and current health of the OneCouncil Enterprise Resource Planning system implementation.

### **Voting Requirement**

Simple Majority.

### **Background**

At the Ordinary Council Meeting held on the 22<sup>nd</sup> of June 2021 Council resolved the following:

1. approves the supplier, TechnologyOne, to be awarded the contract for RFT 2020-21.03 – Provision City Finance System (Enterprise Resource Planning System) for the initial term of 5 years, comprising the initial 3 years with two one-year extensions, to be awarded under Local Government (Functions & General) Regulations 1996 11(2).

2. agrees to enter a contract with TechnologyOne to purchase their Enterprise Resource Planning System, called OneCouncil, with final contract subject to independent review to the satisfaction of the Chief Executive Officer; and notes:
  - a. The adoption of the Integrated Enterprise Resource Planning approach for implementing Information Systems; and
  - b. The implementation of the TechnologyOne One Council solution using the Cloud model called “Software as a Service”.

The OneCouncil implementation project has been managed as an internal project, resourced to accommodate a staged roll out of fundamental modules across the organisation. The project has been divided into three key phases which align evenly to a three-year commitment of delivery.

The City successfully implemented the modules forecast in the first phase, on time and with organisational wide support and engagement.

## Discussion

The City are currently engaged in phase two of the project implementation, scheduled for completion by July 2023. The current phase is on track and continues to meet each milestone within the recently revised project plan.

Recent developments in the approach to manage the macro project with each module adopted as a micro project has proven beneficial in ensuring transparency in the granularity of deliverable tasks whilst also elevating overall maturity with internal and external stakeholder collaboration and productivity. For a comprehensive overview of the phase 2 tracking, refer to figure 1. *Phase 2 - Project progress tracker for the January 2023 reporting period.*

Area	Previous Status	Current Status	Comments
Scope			Scope is being effectively managed through a rigour process of expectation and agreement.
Budget			The budget forecast for the year remains within the allocated budget
Schedule			The schedule has been adjusted to accommodate the project resources limitations with minimal impact on the overall phase 2 trajectory

Green
Amber
Red

Project is on track to deliver the expected outcomes at the budgeted cost in the currently agreed timeframe

Currently agreed outcomes, time, cost and/or quality requirements are at risk of being exceeded if specific action is not taken

Currently agreed outcomes, time, cost and/or quality requirements have been or will be exceeded and specific action is required to address

**Activities recently completed (January 2023 reporting period):**

- Onboarding of new Project Manager and Change Manager.
- New project schedule created: Differing approach; defining each module as a mini project within a broader project with the same methodology.
- Engaging in an agreement/internal acceptance with the internal stakeholders.
- Introducing OneCouncil system champions and communicating what that translates to for the City of Nedlands.
- Introducing a continuous improvement register and associated procedure to manage ongoing initiatives, incorporating governance to support the procedure effectively.
- Establishing a communicative visual for the broader organisation to understand the macro lens, including what it looks and feels like.
- Focus on an engaged project team and empowering them with skills to negotiate and communicate with clarity to their impacted business areas.
- Establishing robust governance of the project with focus on transparency and clarity.
- Revisiting internal relationships and negotiating clarity on expectations and deliverables of modules.
- Communicating our approach to share the same outcome with the business area impacted by the module implementation.
- Configuring assets and works module development.
- Configuring e-Recruitment with a focus on refining process and translating policy into system automation.
- Establishing new internal relationships and setting expectations and commitments.
- Gathering information for DXP Meetings and PPLGS modules – Forecast for pending implementation.
- Commencement of modules – briefing portfolio.
- Establishing a communication and change plan informed by the organisational survey responses and Managers meetings.

**Upcoming period's activities:**

- Phase 3 – Draft schedule development.
- Project team strategy days - program preparation for Phase 3.
- External stakeholder engagement/planning with other Local Governments.
- Champion engagement workshop and program of works.
- Internal communications program on project status and system uses best practice/instructions.
- Assets configuration completion.
- Performance Planning Local Government (PPLGS) development and configuration.
- DXP meetings module development and configuration.
- Information gathering – Process improvement review, analysis, and workshops.

**Issues:**

**Open**

- Infrastructure Department – Migration of Data

**Complexities:**

- Existing asset data is stored in an end-of-life system.
- Data is required to be aligned with a regulated standard prior to migration.

- External organization is completing body of work to form a gap analysis of current data.
- Dates of external work do not lend to the scheduled go live which may be an empty system until complete and transferred.

### **Proposed Solution**

Communicate with clarity, the impact of the external works on the project and agree on the revised deliverables and expectations detailing, who, what and when.

### **Closed**

- Payroll – Project resources (Business Systems Analyst) allocated as 100% FTE to payroll for extended period.
- Solution: Payroll officer has returned from leave and Manager Finance and Director Corporate services actively recruiting an additional resource to manage leave balances.
- Human Resources – Lack of clarity in understanding the deliverables.
- Solution: Establish trust in stakeholder meeting, seeking to understand and translate that to transactional context.
- Human Resources – Outstanding commitments not tracked or communicated.
- Solution: Establish trust, seeking to understand. Develop a tracker of items to be discussed and document progress and clarity on what can be achieved and within clear timeframes.
- Human Resources – Process waste and communicating change in process for Managers to recruit.
- Solution: Conduct a workshop on current process with the intent to refine and eliminate waste. Assist in the development of a managers recruitment change and coaching workshop.
- Infrastructure department – Lack of engagement due to understanding in translating value and benefit at an operational level.
- Solution: Discussed with Director Infrastructure strategy to take action in relaying benefits. Project and Change Manager to present a benefits demonstration with input from external Local Governments Assets department.
- Infrastructure department – Information gathering timeliness and completeness, causing delays in technical configuration.
- Solution: Discussed with Director Infrastructure to understand the competing priorities of both teams and encourage information gathering.
- Infrastructure department – Commitment to the module deliverables.
- Solution: Discussed with Director Infrastructure to offer a share in a forward approach to work collaboratively and achieve the shared outcome.

PHASE 2 – Project Delivery: OneCouncil Enterprise Resource Planning – Project Progress Tracker – JANUARY reporting period 2023

Mike Cole (Project Sponsor)	Emma Van der Wiele (Project Manager)	Meghan Coghlan (Change Manager)	Kevin Wijey (Business Systems Analyst)	Louise Andersen (Business Systems Analyst)	Wolfgang Voigt (Solutions Architect)	Lauren Fitzgerald (Finance/Accounting Project Officer)	VACANT (Business Systems Analyst)	VACANT (Data Migration Specialist)
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**Enterprise Content Management – Active User Engagement:**  
Assigned: External consultant

Phase 1: Prework – Discovery, governance and Scoping 100%	Phase 2: Project Planning 100%	Phase 3: Project Implementation 100%
Phase 4: Post work and Competency 24%	<b>Outstanding Tasks:</b> <ul style="list-style-type: none"> <li>Internal surveys interpreted to action gap analysis on requirements to complete the Post work and Competency aspect of ECM.</li> <li>Plan created to bridge the gap</li> <li>Action on plan</li> </ul>	

**Business Intelligence Reporting:**  
Assigned: All project team

Phase 1: Prework – Discovery, governance and Scoping 100%	Phase 2: Project Planning 100%	Phase 3: Project Implementation 100%
Phase 4: Post work and Competency 100%	<b>Outstanding Tasks:</b> <ul style="list-style-type: none"> <li>N/A</li> </ul>	

**Asset Lifecycle Management:**  
Assigned: Kevin Wijey

Phase 1: Prework – Discovery, governance and Scoping 100%	Phase 2: Project Planning 100%	Phase 3: Project Implementation 16%
Phase 4: Post work and Competency 0%	<b>Outstanding Tasks:</b> <ul style="list-style-type: none"> <li>Information gathering to assist configuration tasks to be implemented</li> <li>Consultation and testing with department users</li> <li>Major work (External work): Data cleanse, consolidation and migration.</li> </ul>	

**e-Recruitment:**  
Assigned: Louise Andersen

Phase 1: Prework – Discovery, governance and Scoping 100%	Phase 2: Project Planning 100%	Phase 3: Project Implementation 44%
Phase 4: Post work and Competency 0%	<b>Outstanding Tasks:</b> <ul style="list-style-type: none"> <li>Data migration in its entirety</li> <li>Reporting and Business process automation suite</li> <li>Consultation with department users and finalise configuration of processes</li> </ul>	

**Enterprise Budgeting:**  
Assigned: Lauren Fitzgerald

Phase 1: Prework – Discovery, governance and Scoping 100%	Phase 2: Project Planning 100%	Phase 3: Project Implementation 100%
Phase 4: Post work and Competency 0%	<b>Outstanding Tasks:</b> <ul style="list-style-type: none"> <li>Training and Competency</li> <li>Benefits realisation assessment</li> <li>Ongoing training and maintenance schedule</li> </ul>	

**Minutes & Agenda Management DXP Meetings:**  
Assigned: Wolfgang Voigt

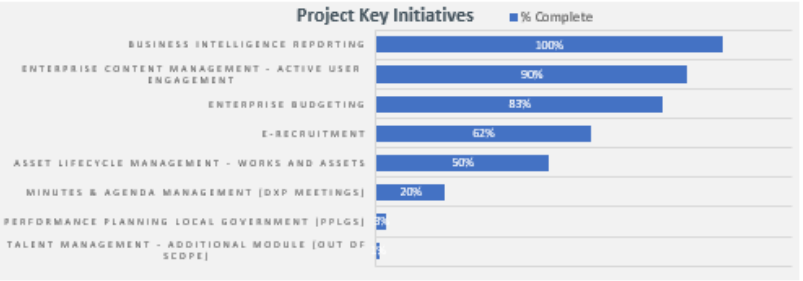
Phase 1: Prework – Discovery, governance and Scoping 74%	Phase 2: Project Planning 48%	Phase 3: Project Implementation 0%
Phase 4: Post work and Competency 0%	<b>Outstanding Tasks:</b> <ul style="list-style-type: none"> <li>Configuration of existing business processes into Technology1 environment</li> <li>Workshop with internal stakeholders to eliminate waste and refine process</li> </ul>	

**Performance Planning Local Government (PPLGS):**  
Assigned: Louise Andersen

Phase 1: Prework – Discovery, governance and Scoping 20%	Phase 2: Project Planning 0%	Phase 3: Project Implementation 0%
Phase 4: Post work and Competency 0%	<b>Outstanding Tasks:</b> <ul style="list-style-type: none"> <li>Internal stakeholder engagement – Portfolio briefing</li> <li>Dates TBC however: Currently tentatively booked for commencement 27 March 2023</li> </ul>	

**Talent Management – Additional module (Out of Scope):**  
Assigned: Louise Andersen

Phase 1: Prework – Discovery, governance and Scoping 5%	Phase 2: Project Planning 0%	Phase 3: Project Implementation 0%
Phase 4: Post work and Competency 0%	<b>Outstanding Tasks:</b> <ul style="list-style-type: none"> <li>Talent management is an additional module out of the original scope for the One Council ERP project.</li> <li>Funding and resources are current considerations for the HR department</li> </ul>	



Milestones	Finish	Milestone	Finish
ECM: Module Commencement	Complete	PPLGS: Module Commencement	Complete
BIR: Module Commencement	Complete	EB: Go-Live – Live Production system available	24/02/2023
BIR: Module Design, Configuration and Migration complete	Complete	DXP: Module Design, Configuration and Migration complete	06/03/2023
BIR: Go-Live – Live Production system available	Complete	e-Recruitment: Module Design, Configuration and Migration complete	13/03/2023
BIR: Receive and endorse project closure certificate	Complete	DXP: Go-Live – Live production system available	20/03/2023
ECM: Module Design, Configuration and Migration complete	Complete	DXP: Receive and endorse project closure certificate	27/03/2023
ECM: Go-Live – Live production system available	Complete	e-Recruitment: Go-Live – Live production system available	04/04/2023
ECM: Receive and endorse module closure certificate	Complete	PPLGS: Module Design, Configuration and Migration complete	17/04/2023
ASSETS: Module Commencement	Complete	e-Recruitment: Receive and endorse project closure certificate	28/04/2023
e-Recruitment: Module Commencement	Complete	ASSETS: Module Design, Configuration and Migration complete	08/05/2023
EB: Module Commencement	Complete	EB: Receive and endorse project closure certificate	19/05/2023
Talent: Module Commencement	Complete	PPLGS: Go-Live – Live production system available	26/05/2023
EB: Module Design, Configuration and Migration Complete	Complete	PPLGS: Receive and endorse project closure certificate	05/06/2023
DXP: Module Commencement	Complete	ASSETS: Go-Live – Live production systems available	19/06/2023

**Current Project Activity**

Assets/works value and benefits understanding presentation and demonstration	Establishing integration of Customer requests and Work orders for improved symmetry/efficiency
Creation of automated Reports for HR	Champion revitalization meeting/presentation
Development of Change and Communication plan incorporating improvement management: HR, INF	Development of internal business area acceptance documentation and engagement expectations
Strategy planning for OneCouncil Property and Ratings approach	Development of pre work portfolio for final modules in current phase. Communicating openly with dept

## Consultation

This report summarises detailed consultative information which observes the accuracy of the project status and health. Consultative efforts are managed in accordance with the below Stakeholder Consultation Plans.

Stakeholder Consultation Plans	Purpose
Change Management Plan	To outline the strategy and approach to managing the organisational change associated with implementing the OneCouncil project for employees, customers, and stakeholders.
Communication Plan	To provide an overall framework for the ongoing management, coordination, and delivery of communications to all staff across the City of Nedlands impacted by the OneCouncil project activities.
Stakeholder Engagement Plan	To outline the City's approach to managing stakeholder engagement throughout the implementation of the OneCouncil solution to ensure clear direction for the delivery of stakeholder engagement actions.

## Strategic Implications

This item relates to the following elements from the City's Strategic Community Plan.

**Vision** Our city will be an environmentally sensitive, beautiful, and inclusive place.

**Values** **High standard of services**  
We have local services delivered to a high standard that take the needs of our diverse community into account.

**Great Governance and Civic Leadership**  
We value our Council's quality decision-making, effective and innovative leadership, transparency, accountability, equity, integrity and wise stewardship of the community's assets and resources. We have an involved community and collaborate with others, valuing respectful debate and deliberation.

## Priority Area

- The implementation of OneCouncil is a key result area for the Chief Executive Officer.

## **Budget/Financial Implications**

A provision for the continuing implementation of OneCouncil is included in the approved City of Nedlands 2022/23 Annual Budget.

## **Legislative and Policy Implications**

Nil.

## **Decision Implications**

The City has sufficient information to present the OneCouncil Project status report.

## **Conclusion**

The implementation of the OneCouncil project underpins the strategic and operational requirements for the City of Nedlands through a single, integrated solution. The change benefits of the software allow the City to embrace technological strategies to deliver smart community goals.

Recent changes to the project plan and approach to manage the modules and deliverables has been pivotal in shaping the transparency, engagement, and productivity of the entire perspective for both the project team and broader organisation.

Project milestones for phase 2 are consistently being met and are on track for the scheduled July 2023 completion. Efforts to ensure the project continues to mature in line with the milestone dates include operating with a collaborative lens, addressing issues raised for escalation and continuous improvement initiatives are managed efficiently and effectively in partnership.

The project team are currently working in synergy to prepare for phase 3 of the broader project and have committed to an internal strategy engagement to aid in exploring the projects forecasted modules to build a comprehensive plan. The engagement will produce a detailed review for each module including stakeholder analysis, deliverables and timeframes, complexities, demonstrations, change impact to the organisation, dependencies review, associated risks and benefits realisation.

## **Further Information**

Nil.

## 10. In Camera

Allocated time for Committee to discuss items with Auditors without Administration or Public present.

The meeting closed to members of the public and administration at 7.05pm with the following in attendance:

<b>Councillors</b>	Councillor L J McManus (Presiding Member) Councillor R Senathirajah Councillor A W Mangano Councillor O Combes	Coastal Districts Ward Melvista Ward Dalkeith Ward Hollywood Ward
<b>Invited Guests</b>	Ms M Shafizadeh Mr N Goosen	Director Governance & Risk Moore Australia Associate Director Moore Australia

The meeting opened to members of the public and administration at 7.16pm with the following in attendance:

<b>Councillors</b>	Councillor L J McManus (Presiding Member) Councillor R Senathirajah Councillor A W Mangano Councillor O Combes	Coastal Districts Ward Melvista Ward Dalkeith Ward Hollywood Ward
<b>Staff</b>	Mr W R Parker Mr M R Cole Mrs N M Ceric Ms L J Kania	Chief Executive Officer Director Corporate Services Executive Officer Coordinator Governance & Risk
<b>Invited Guests</b>	Ms M Shafizadeh Mr N Goosen	Director Governance & Risk Moore Australia Associate Director Moore Australia

## 11. Date of Next Meeting

The date of the next meeting of the Audit & Risk Committee Meeting will be on Monday 22 May at 5.30pm and a special Audit & Risk Meeting before the March OCM to be advised.

## 12. Declaration of Closure

There being no further business, the Presiding Member declared the meeting closed at 7.16pm.