Agenda

Audit and Risk Committee Meeting

3 March 2016

ATTENTION

This Agenda has yet to be dealt with by the Committee.

The Administration Recommendations, shown at the beginning of each item, have yet to be considered by the Committee and are not to be interpreted as being the position of either the Committee or Council.

The Minutes of the meeting held to discuss this Agenda should be read to ascertain the decision of the Committee.

Before acting on any recommendation of the Committee a check must also be made in the Ordinary Council Minutes following the Committee Meeting to ensure that Council did not make a decision at variance to the Committee Recommendation.

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City of Nedlands

Notice of a meeting of the Audit and Risk Committee to be held in the Council Meeting Room at 71 Stirling Hwy, Nedlands on 3 March 2016 at 6pm.

Dear Committee member

The next meeting of the Audit and Risk Committee will be held on 3 March 2016 in the Council Meeting Room at 71 Stirling Highway, Nedlands commencing at 6pm.

Greg Trevaskis
Chief Executive Officer
18 February 2016

Council Committee Agenda

Declaration of Opening

The Presiding Member will declare the meeting open at 6pm and will draw attention to the disclaimer below.

Present and Apologies and Leave Of Absence (Previously Approved)

Leave of Absence   None
(Previously Approved)

Apologies

Disclaimer

Members of the public who attend Council 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.

Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material.

1. **Public Question Time**

   A member of the public wishing to ask a question should register that interest by notification in writing to the CEO in advance, setting out the text or substance of the question. Questions tabled at the meeting may be unable to be answered due to the requirement for technical research and will therefore be answered direct afterwards.

   Questions must relate to a matter contained within the agenda of this meeting.

2. **Addresses by Members of the Public (only for items listed on the agenda)**

   Addresses by members of the public who have completed Public Address Session Forms will be invited to be made at this point.

3. **Disclosures of Financial Interest**

   The Presiding Member to remind Councillors 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.

   A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision making procedure relating to the matter the subject of the declaration.

   However, other members may allow participation of the declarant if the member further discloses the extent of the interest. Any such declarant who wishes to participate in the meeting on the matter, shall leave the meeting, after making their declaration and request to participate, while other members consider and decide upon whether the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

4. **Disclosures of Interests Affecting Impartiality**

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

   Councillors and staff are required, in addition to declaring any financial interests to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making procedure.

The following pro forma declaration is provided to assist in making the disclosure.

"With regard to …… the matter in item x….. I disclose that I have an association with the applicant (or person seeking a decision). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly."

The member or employee is encouraged to disclose the nature of the association.

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

Members who have not read the business papers to make declarations at this point.

6. Confirmation of Minutes

6.1 Audit and Risk Committee Meeting 18 February 2016

The minutes of the Audit and Risk Committee held 18 February 2016 are to be confirmed.

7. Items for Discussion

Note: Regulation 11(da) of the *Local Government (Administration) Regulations 1996* requires written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee as defined in section 5.70, but not a decision to only note the matter or to return the recommendation for further consideration.

7.1 BDO INTERNAL AUDIT REPORT – IT GENERAL CONTROLS

Background

BDO Audit (WA) Pty Ltd are the City's appointed Internal Auditors.

As part of the Internal Audit plan, BDO Audit (WA) Pty Ltd conducted a IT General Controls Review.

The security access to systems and applications was covered in this review. The review identified areas of weakness such as an excessive number of users with access to sensitive modules, user access logs and user access security. The attached report contains details of the issues raised and management's comments.

The IT General Controls Review is presented to the Audit and Risk Committee for their information.

Recommendation to the Audit and Risk Committee

The Audit and Risk Committee receives the IT General Controls Review and notes the finding and recommendation of the review and the actions proposed by Administration.

Attachment

1.   BDO Audit (WA) Pty Ltd – IT General Controls Review

1 October 2015

Mr Michael Cole

Director of Corporate Strategy

City of Nedlands

71 Stirling Highway

NEDLANDS WA 6009

Dear Michael,

City of Nedlands - IT General Controls Review

We write to advise you of the completion of our review of the City of Nedlands' IT General Controls. This review has been conducted in accordance with our agreed Terms of Reference dated 4 May 2015. We now enclose our report which details the findings arising from the review.

Should you have any queries in relation to this report please do not hesitate to contact either myself on (08) 6382 4715 or Luiz Salgueiro on (08) 6382 4803.

Yours faithfully,

BDO Audit (WA) Pty Ltd
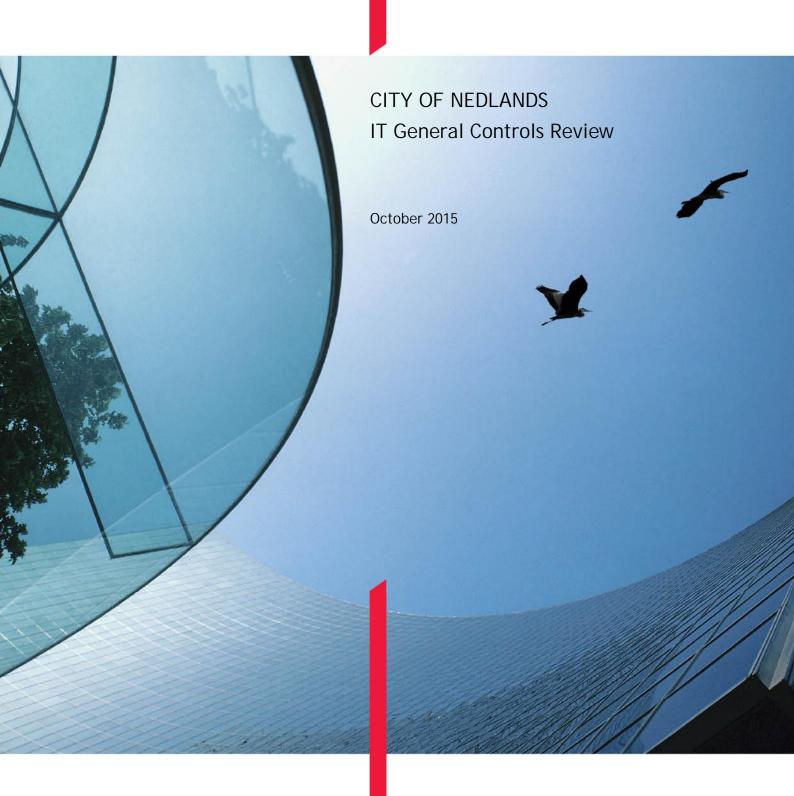
Wayne Basford

Director

Encl.

CITY OF NEDLANDS
IT General Controls Review

October 2015

BDO

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1. EXECUTIVE SUMMARY

1.1   Context

In accordance with the 2015/16 Internal Audit Annual Plan, an IT General Controls Review has been scheduled.

The IT infrastructure and systems of the City are managed by the City's IT Department. The principal activities carried out by the IT Department include helpdesk support, backup and recovery, infrastructure change management, network maintenance, system security administration and management. The total number of users supported by IT is around 200.

The core business application used by the City is Authority. This is used for capturing and reporting financial data and comprises the following modules; general ledger, accounts payable, accounts receivable, procurement, payroll and human resources. The maintenance of Authority is currently supported by an outsourced vendor, CIVICA. The Fixed Asset is maintained in AssetFinder system.

During our review, the City's production servers have been relocated from its Admin office to the outsourced computer data centre at Malaga. The backup of data are replicated on line to its backup server located at the Depot.

1.2   Conclusion

The rating for this Review is "Marginal". The Review ratings are defined in Section 6 of this report. The "marginal" rating for this review is reflective of the results of our execution of the review plan.

There were areas of weaknesses with regard to security access to systems and applications. We noted an excessive number of users with access to sensitive modules such as Payroll, Accounts Payable and Purchasing. During our review, we were not provided with full user access listing and the list of access level for the menu granted to user in Authority. We were advised that this is due to system limitation in printing the user and menu security access listing from Authority.

In addition, some of the user access controls in place such as the user access forms are not detailed enough for the security administrator to appropriately assign user roles on the system and user access is usually granted by copying another existing user with similar role. There is no user access review performed on a regular basis and there is no user access audit log maintained in both network and Authority levels. We note that the audit log function has subsequently been addressed by the City following our review.

The key findings are summarised in the next section. The rectification of the identified weaknesses will contribute significantly to raising the overall effectiveness and efficiency of the City's IT control environment.

1.3 Summary of key findings

Our review identified one 'High' rated finding and two 'Medium' rated finding and three 'Low' rated finding. High and Medium risks are summarised in Table 1 below. The findings and observations are further explained in Section 3 of this report. The definitions of individual ratings are provided at Section 6 of this report.

Table 1: Summary of 'High' and 'Medium' rated findings	
Reference	Findings
High Risk	
3.1.1	Inappropriate user access rights assignment We noted weaknesses in the following areas regarding user access rights assignment: • Excessive users were granted privilege access to Authority modules (i.e. Payroll, Purchasing and Accounts Payable); • The Finance Manager was granted with two logins with different functions to NAB banking system.
Medium Risk	
3.2.1	User access audit log During our review, we noted that no user access audit logs (i.e. login/logout information) are maintained for Windows Active Directory (AD) and Authority. However, management has taken steps to remediate these findings by enabling the logs in Windows AD, Authority and VMWare.
3.2.2	User access security administration • The user access forms are not detailed enough for the security administrator to appropriately assign user roles on the system and user access is usually granted by copying another existing user. • No user access review is performed on a regular basis e.g. annually.

1.4 Acknowledgement

We thank the staff at the City of Nedlands for their support and assistance to us in executing this review.

2. AUDIT APPROACH

2.1 Objectives of Review

The objective of this IT general controls (ITGC) review was to determine whether the computer controls implemented in the City effectively support the confidentiality, integrity, and availability of the City's information systems. General computer controls include controls over the information technology (IT) environment and the system change management processes.

2.2 Scope of Review

In order to achieve this review's objectives, we have assessed the adequacy of the processes with regard to:

- Security controls over physical access to computer room;
- Security controls over logical access to systems/applications and data, these included:
  - o Network access level e.g. Windows Active Directory;
  - o Core business application access;
  - o Password parameters for Windows Active Directory & core business applications;
  - o Folder access level i.e. where critical files are stored e.g. critical financial spreadsheet, HR files, Payment files etc.
- Back-up and restore;
- IT infrastructure (network/system/application) change management and administration.

The review period was from 1 May 2014 to 30 April 2015.

Out of scope

IT Disaster Recovery Plan was covered in a separate review under Business Continuity Management (BCM) Review.

2.3 Approach

Our approach was as follows:
1. Conduct interviews, determine and document the overall system's functions and controls;
2. Evaluate the adequacy of the controls as described;
3. Obtain documentary evidence that the controls as described have been installed and are operating effectively;
4. Evaluate the control environment to consider whether or not risks identified have been addressed through the system's control framework;
5. Obtain evidence concerning the operation of controls in order to confirm the operational application of each control. This exercise comprised the compliance aspect of the audit, and involved sampling and testing a small number of user security access requests and system change approval for adequacy of control and conformance with authorised policies and procedures; and
6. Report our findings and tabled our associated recommendations.

2.4   Limitation of Review

We understand that user access to Authority is controlled via:
a.   First level - network logon;
b.   Second level - Authority logon;
c.   Third level - menu security where the user is only allowed to access the menu that they are granted with the access;
d.   Fourth level - menu access permission right where user is only allowed to perform the function e.g. inquiry, edit, delete.

We were not provided with the fourth level access permission listing for review due to system limitation and the cost of producing a system report by the Vendor i.e. Civica.

3. DETAILED FINDINGS & RECOMMENDATIONS

3.1 High Risk Findings

Finding	Risk/Impact	Recommendation	Management Comment
3.1.1 Inappropriate User Access Right Assignment			
Based on the sample review of the existing Authority users and access rights, we noted there were an excessive number of users granted with access rights that may not be compatible to their job duties. These are as follows: a. Authority i. 20 users with access to data entry, processing, maintenance and periodic processing programs for the Accounts Payable module ii. 16 users with access to processing and maintenance programs in the Purchasing module. iii. 22 users with access to data entry, processing and maintenance programs in the Payroll module (this issue was also raised in Payroll Review report). We also noted a terminated employee, Shin Lim was still granted with access to the Payroll module at the time of the review. In addition, during our review, we were not provided with detail function access level granted to user for the menu assigned to them. We were advised there is system limitation in printing the user access listing and access rights assigned to users in Authority.	• This represents segregation of duty risk and risk to data integrity; • Unauthorised access to systems and/or applications; • Excessive access functions may be granted to the user; • The risk of unauthorised access through inactive user accounts. • The inability to apportion accountability if fraud is perpetrated through the use of inactive user accounts. • Difficulties preventing fraudulent activities or errors from taking place.	We recommend that management should: a. Perform a full review of the user access rights within Windows Active Directory and Authority with the aim to ensuring user was granted with the access rights which is aligned with their job roles and responsibilities. The terminated employee that has access to Payroll module should be removed or disabled as soon as practicable. Work with the vendor to facilitate the printing of full user and function access listing in Authority. b. Review the need of Finance Manager to have two separate logins for performing his job duties and remove the second ID if it is redundant. c. Review the user IDs that have not been used for more than 3 months, their accounts should be	Management Action: Agreed. A full review is being conducted to ensure access rights are aligned to job roles and responsibilities. Responsible Official: Mike Fletcher, Manager Corporate Strategy and Systems Implementation Date: Review to commence ASAP and be completed by December 2015.

Finding	Risk/Impact	Recommendation	Management Comment
b. NAB Online Banking From our review we noted that Kim Chua, Finance Manager, has two separate logins with different access rights to the NAB Online Banking portal. We also noted a user i.e. Natalie Wilson who is on maternity leave, her account was not disabled since 14/08/2014. c. Windows Active Directory There are excessive number of user IDs defined at Windows Active Directory that have never been used for logon for the last three months. Refer to Appendix A spreadsheet.		removed or disabled from login.	

3.2 Medium Risk Findings

Finding	Risk/Impact	Recommendation	Management Comment
3.2.1 Lack of user access audit log			
We were advised that there were no user access logs maintained for Authority and Windows AD. In the event of errors or fraud, user system/application logon and logoff information are not tracked and available for investigation. Following our review, we noted that management has undertaken steps to remediate the user access logs by enabling them through Windows AD, Authority and Virtual Desktop environment.	• Unauthorized activity is not tracked in the audit trail for investigation in the event of errors or fraud; • Unauthorised activities may not be detected on time.	Management should enable the user access logging functions for both Authority and Windows Active Directory. The user access audit log should be reviewed on a periodic basis by the Security Administrator.	Management Action: Management does not agree with the finding. When a user is logging into the Authority database, the Authority system authenticates the user's access rights via the Active Directory. We do agree the user log should be reviewed and this will be undertaken by the Information Systems Coordinator. Responsible Official: Nalin Dias, Information Systems Coordinator Implementation Date: December 2015

3.2 Medium Risk Findings (continued)

3.2.2 User Access Security Administration Procedures

We noted the following exceptions from the review of User Security Administration procedures for the Windows Active Directory (AD) and Authority:

a. **User Access Request Form**

We noted that there are forms in place to grant, modify and remove users from the Windows AD level and business applications.

However, following a review of these forms, we found that the process to set up a new user on Authority is to copy an existing user's roles and responsibilities. This may lead to inappropriate rights given to the new user. We were informed that this process is in place due to the complexity in setting up a new user on Authority.

Additionally, the user access deactivation forms do not indicate which applications access should be deactivated for the users e.g. Authority, Windows AD etc.

b. **User access review**

We were informed that there is no periodic review of user access rights to system and applications performed by the Security Administrator.

- Unauthorised access to systems and/or applications
- Excessive access functions may be granted to the user.
- A lack of segregation in employee duties increases the risk of users having inappropriate access rights
- The risk of unauthorised access through inactive user accounts.
- The inability to apportion accountability if fraud is perpetrated through the use of inactive user accounts.
- A lack of periodical reviews of user access rights would increase the risk that the organisation will not be able to prevent unauthorised changes to critical data.
- Difficulties preventing fraudulent activities or errors from taking place.

We recommend that management should:

a. Improve the current user access request form to include more detail about the functions should be granted to user based on his/her job roles and responsibilities.

In addition, the user ID deactivation form should include the list of system applications to be activated.

b. Establish a formal user access review procedure with the view to remove or disable inactive users and to determine whether the access granted will commensurate with their current job role for the various applications in use at the City (Windows/Authority/Network folder/NAB online banking). This review should be conducted at least on a half yearly basis.

The process should include:

- A list of users to be sent to business managers for them to validate individual user's access rights against their current job roles and responsibilities.
- Once the review is performed, the

Management Action:

Agreed. The User Access Request form will be reviewed.

It is also agreed to establish a formal user access review procedure with the view to remove or disable inactive users and to determine whether the access granted will commensurate with their current job role for the various applications in use at the City

Responsible Official:

Nalin Dias, Information Systems Coordinator

Implementation Date:

December 2015

		IT Team should receive the inputs from business areas and perform the necessary actions or amendments.

• E-mails and actions in relation to reviews should be retained as evidence of the required actions having been undertaken and for audit purposes.

• Frequency of the review e.g. at least on a half yearly basis.

• A user access security matrix should be developed and maintained as part of this process. | |

3.3 Low Risk Findings

Finding	Risk/Impact	Recommendation	Management Comment
3.3.1 Formalisation of IT strategic plan			
During our review, we were informed that IT department has initiated a number of new initiatives for improvement of IT system and process for example formulation of IT Disaster Recovery framework and process, IT policy, process and protocol, data centre migration and outsourcing application support to third parties, this allows IT to focus on resolving issues which come through the helpdesk. However, these initiatives and strategy were not formalised and documented.	• No formal method to ensure the alignment of IT strategy with business strategy leading to inappropriate IT infrastructure in support of the organisation's needs; • There is no base for IT to evaluate IT decision against IT Strategy before/after they are made.	With the current changes to the IT infrastructure, a documented IT strategic plan is crucial to ensure that business strategy and IT decisions are evaluated against the IT strategy to ensure alignment. The plan should be formalised, approved and signed off by management as soon as practicable.	Management Action: Agreed. An IT Strategic Plan will be finalised. Responsible Official: Mike Fletcher, Manager Corporate Strategy and Systems Implementation Date: March 2016
3.3.2 Inadequate password parameter settings			
We noted that the current password and audit parameter settings at the network level i.e. Windows Active Directory and Authority were not in line with the standard industry best practices: Windows Active Directory level a. Password Policy i. Minimum password length - 7 characters; ii. Minimum password age - 0 days; iii. Password must meet complexity	• User accounts are vulnerable to "penetration" with easily guessable password and weak password security setting, thus increasing the risk of unauthorised users gaining access to system and data. • Inadequate audit policy settings may lead to important audit trail not tracked for investigation in	Management should consider revising the password parameters setting to be consistent and in line with standard industry best practice as follows: Window Active Directory level a. Password Policy i. Minimum password length: 8 characters; ii. Minimum password age: 7 days;	Management Action: The Password Policy will be reviewed. Responsible Official: Mike Fletcher, Manager Corporate Strategy and Systems

Finding	Risk/Impact	Recommendation	Management Comment
requirements – Disabled; iv. Enforce password history – 3 passwords remembered; v. Account lockout threshold – 10 invalid logon attempts vi. Account lockout duration - 0 minutes b. Audit Policy i. Audit account logon events: Default (Success) ii. Audit logon events: Default (No Auditing) iii. Audit account management: Default (Success)	the event of an error.	iii. Password must meet complexity requirements - Enabled iv. Enforce password history – 10 passwords remembered; v. Account lockout threshold – 5 invalid logon attempts; vi. Account lockout duration: 30 minutes b. Audit Policy i. Audit account logon events: Success, failure; ii. Audit logon events: Success, failure; iii. Audit account management: Success, failure.	Implementation Date: December 2015

3.3 Low Risk Findings (continued)

Finding	Risk/Impact	Recommendation	Management Comment
3.3.3 Formalisation of ICT Protocols and Procedures			
Following a review of the ICT Protocols and Procedures document, we noted that most of the protocols are still in draft form at the time of the review. There were five active protocols were adopted in Sept 2010 and have not been reviewed or updated. These are as follows: i. Access Management ii. Authentication iii. Remote Access iv. Incident Management Reporting and Response v. Physical and Environmental Security	No security measure and protection against corporate information and computing resources against theft, fraud, malicious or accidental damage, breach of privacy or confidentiality	Management should complete, review and update the ICT Protocols and Procedures document and communicate to all staff as soon as practicable.	Management Action: Agreed. ICT Protocols and Procedures are being progressively reviewed and updated. Responsible Official: Mike Fletcher, Manager Corporate Strategy and Systems Implementation Date: February 2016

4. Improvement Opportunities

Finding	Improvement Opportunity	Management Comment
4.1 Backup and restoration testing		
We noted that the current backup strategy is performed via an on line replication of data from the Production server in Malaga Data Centre to the Backup server located at the Depot. We were informed by the IT team that backing up of the data from Production server to backup tapes are still continuing and there is no backup restoration testing performed to test that data could be recovered successfully from the backup tapes on a periodic basis.	We recommend management review the tapes backup process and determine whether this is still necessary with the online replication of data from production server at Malaga Data Centre to backup server at the Depot. If tape backup is still necessary, we recommend that management periodically restore the data from backup tapes to ensure that data could be restored successfully in the event of errors or system failure.	Management Action: Agreed. This will be undertaken as part of the finalisation of disaster recovery plan and documentation. Responsible Official: Mike Fletcher, Manager Corporate Strategy and Systems Implementation Date: December 2015.
4.2 Change management procedures		
We understand that that are no major program development activities happened at the City, however, from time to time there are changes to IT infrastructure, network, operating system or applications. Currently, changes are made to system and application on an ad hoc basis, there is no formal change request procedures to system and application.	We recommend that management should consider developing a formal change request form with the appropriate sign-off to ensure that sufficient permission is sought, rollback plan and documentation is maintained when changes are made to IT infrastructure, system and applications.	Management Action: Agreed. Documentation to be completed by December 2015. Responsible Official: Mike Fletcher, Manager Corporate Strategy and Systems Implementation Date: December 2015.

4. Improvement Opportunities (continued)

Finding	Improvement Opportunity	Management Comment
4.3 Network Penetration Testing		
We noted that there was no system penetration testing performed by IT in order to evaluate the security controls in place and potential vulnerabilities. We were advised that management has plans to conduct full network penetration testing once the IT infrastructure changes are completed.	Management should conduct network penetration testing once the IT infrastructure changes are fully completed in order to ensure their current security measures are adequate to respond to intruder/cyber-attacks.	Management Action: Agreed. Discussions with external parties on ethical network penetration have commenced and planning for such testing is underway. Responsible Official: Mike Fletcher, Manager Corporate Strategy and Systems Implementation Date: Plan to be completed by December 2015 with testing in early 2016.

5. KEY ENGAGEMENT DETAILS & TIMINGS

Key engagement details

Date Final Report Issued	1 October 2015
Review Period Covered	1 May 2014 – 30 April 2015
BDO Engagement Partner	Wayne Basford
Draft Report to be issued to Client Sponsor	Michael Cole

Key engagement timings

Key Events	Expected Date	Actual Date	Comments on Variations
Planning Meeting	04/05/2015	04/05/2015	
Fieldwork commencement	07/05/2015	07/05/2015	
Fieldwork completion	15/05/2015	03/07/2015	Staff availability
Close out meeting	21/05/2015	12/08/2015	
Draft report sent	28/05/2015	12/08/2015	
Management Comments Received	04/06/2015	24/09/2015	Management comments flow through to the Executive before being sent back
Final report issued	08/06/2015	01/10/2015	

Engagement participants

Name	Title
City of Nedlands	
Mike Fletcher	Manager – Corporate Strategy & Systems
Nalin Dias	IT Coordinator
Jonathan Filippone	Systems and Network Administrator
Juli Patel	IT Services Officer
BDO	
Wayne Basford	Partner
Lih Ling Ma	Senior Manager
Luiz Salgueiro	Manager
Ridzwan Mahdi	Senior Consultant

6.   RISK RATINGS

Overall report rating

Ratings awarded represent the conclusion of our audit based on the results of the audit of a process or audit area. The control environment has been rated using the following criteria. These were agreed with management before the engagement commenced.

Rating	Definition
Weak	No control framework in place. Significant control weaknesses were noted which have resulted in a material exposure. No compensating controls in place to mitigate the identified risks.
Marginal	Limited control framework in place. Significant control weaknesses were noted which, if not addressed, may result in a material exposure.
Satisfactory	Overall a control framework is in place. Some improvements identified which would further strengthen the control environment.
Good	Strong control environment in place and operating effectively (subject to limitations of sampling).

Rating individual findings

The following framework for audit ratings has been developed in order to prioritise the internal audit findings according to their relative significance, depending on their impact on a process. The individual audit findings contained in this report have been discussed and rated with management.

Rating	Definition
High	Issue represents a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives.
Medium	Issue represents a control weakness which could have or is having a significant adverse effect on the ability to achieve process objectives.
Low	Issue represents a minor control weakness with minimal but reportable impact on the ability to achieve process objectives.
Observations	Issue represents an opportunity for management to consider in order to improve the effectiveness of the control environment.

7. INHERENT LIMITATIONS

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure within which the control procedures that are subject to internal audit operate is not reviewed in its entirety and, therefore, no opinion or view is expressed as to the effectiveness of the greater internal control structure. An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are done on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this internal audit report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, client management and personnel. We have indicated within this internal audit report the sources of the information provided. We have not sought to verify those sources independently unless otherwise noted within the internal audit report. We are under no obligation in any circumstance to update this internal audit report, in either oral or written form, for events occurring after the internal audit report has been issued in final form unless specifically agreed with management.

8. RESTRICTION OF USE

This report is intended solely for the use of management, the City of Nedlands Council, the external auditors, regulatory agencies or the City's legal counsel and cannot be used by, circulated, quoted, disclosed, or distributed to third parties without BDO's prior written consent.

7.2   BDO INTERNAL AUDIT REPORT – CAPITAL WORKS

Background

BDO Audit (WA) Pty Ltd are the City's appointed Internal Auditors.

As part of the Internal Audit plan, BDO Audit (WA) Pty Ltd conducted a Capital Works Review.

The following areas were covered as part of the review:

1.   The City's capital works management framework;
2.   The process for the development and approval of the annual capital program, i.e. identification and prioritisation;
3.   The process for the review and monitoring of the capital works programs;
4.   The process for the reallocation of funds between capital projects (if any); and
5.   The process for undertaking post implementation reviews of capital projects.

At the planning meeting it was agreed that this review would principally cover the Capital Works Program and the procedures in place to bring forth the Capital Works undertaken by the City for the year.

The Capital Works Review IT General Controls Review is presented to the Audit and Risk Committee for their information.

Recommendation to the Audit and Risk Committee

The Audit and Risk Committee receives the Capital Works Review IT General Controls Review and notes the finding and recommendation of the review and the actions proposed by Administration.

Attachment

1.   BDO Audit (WA) Pty Ltd – Capital Works Review IT General Controls Review

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38 Station Street
Subiaco, WA 6008
PO Box 700, West Perth WA
Australia 6872

1 October 2015

Mr Michael Cole

Director of Corporate Strategy

City of Nedlands

71 Stirling Highway

NEDLANDS WA 6009

Dear Michael,

City of Nedlands ("the City") - Capital Works Review

We write to advise you of the completion of our review of the City of Nedlands' ("the City") Capital Works processes. This review has been conducted in accordance with our agreed Terms of Reference dated 16 February 2015. We now enclose our report which details the findings arising from the review.

Should you have any queries in relation to this report please do not hesitate to contact either myself on (08) 6382 4715 or Luiz Salgueiro on (08) 6382 4803.

Yours faithfully,
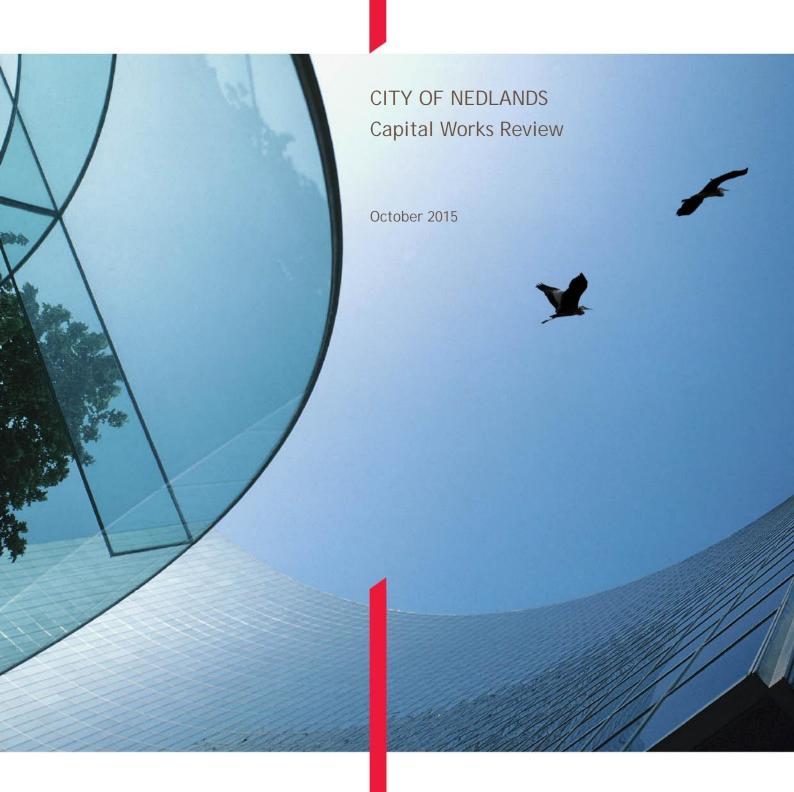
BDO Audit (WA) Pty Ltd

Wayne Basford

Director

Encl.

CITY OF NEDLANDS
Capital Works Review

October 2015

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1. EXECUTIVE SUMMARY

1.1   Context

In accordance with the 2014/15 Internal Audit Annual Plan, a Capital Works review was performed.

Capital Works proposals are generated at the City of Nedlands either through the identification of a need at the community level, the Council's Asset Strategy, or from local Council members' initiatives.   Each year, management hold a series of workshops to present the Capital Works Program Plan and its budget to the Council. The annual Capital Works Program and budget must be endorsed by the Council. Budgets are then monitored throughout the year with a review at the mid-year point to identify whether any budget revision is needed. Any amendment to the budget must also be approved by the Council.

In general, approximately 129 Capitals Works projects and new acquisitions are announced each year. The types of Capital Works projects span a number of areas such as parks & reserves, greenways and bush care, walls & jetties, bore installation, road rehabilitation and improvements, footpaths, parking & bus shelters, drainage improvements, property services, information technology and plant equipment. The annual total budget for Capital Works Programs and new acquisitions is approximately $10 million.

In 2013, a Strategic Community Plan was developed to assist the Council with planning their capital works for the next 10 years. This Plan was developed in conjunction with the Business Development Plan. Together, these two documents are the pillars of the decision making process surrounding the Capital Works Planning within the City. The plan is scheduled for review at the end of the 2014/2015 financial year.

1.2   Conclusion

The overall rating for this review is "*Satisfactory*". We use a four scale rating conclusion, with the "Good" conclusion being the most favourable rating, to "Satisfactory", then "Marginal", and a "Weak" conclusion being the least favourable. In reaching our assessment, we have taken into account the existing undocumented controls that govern capital works planning process.

During the course of our review, we noted several controls in places surrounding the establishment of the annual capital works program. There is a detailed review of the items to be included in the Annual Budget performed by the Executive level at the City before it is submitted to the Council for their review and approval at the Council Meeting.

Furthermore, we noted that the Strategic Community Plan is scheduled to be reviewed every two years, with its upcoming inaugural review which will compare and evaluate the City's progress towards the schedule set out in the Strategic Community Plan.

Notwithstanding the above, we noted from our review some control weaknesses concerning the policies and procedures for the overall Annual Budgeting process. There is currently no form of documentation that details the processes and procedures undertaken by key staff members during the development of the annual budget. We also noted that there are disparate methods utilised within the different departments (in terms of recordkeeping, reporting, etc.) as a result of the absence of documented procedures.

We observed detailed procedures surrounding the critical phases of the budgeting process; we noted that these procedures are not documented which gives way to a dependency risk to those who are aware and know of the procedures.

We believe that the rectification of the identified weaknesses will contribute to raising the overall effectiveness and efficiency of the control environment around the capital works program.

1.3   Summary of key findings

Our review identified two 'Medium' rated findings. These are summarised in Table 1 below. We have also identified one 'Low' rated finding. The findings observations are further explained in Section 3 of this report. The definitions of individual ratings are provided at Section 6 of this report.

Table 1: Summary of 'Medium' rated findings	
Reference	**Findings**
3.2.1	**Lack of a Formalised Capital Works Framework** We noted a lack of a formalised Capital Works Framework that sets out the following: • Treatment of new initiatives submitted by the public and existing staff members that are considered during the budgeting process – there are items that have not been included in the forward plans developed by the City. • Decision making process during the budgeting period for which capital works – from the selection of projects put forward to the executive level for discussion and the selection of projects for the executive level to start discussion for the Council discussion.
3.2.2	**Lack of Formalised Guidelines** • We noted a lack of set policies and procedures that accurately describe the process regarding the creation, review and approval of Capital Works projects. • We also noted that there is a lack of guidelines set out for new initiatives (new projects) to assist staff in creating proposals to management.

1.4   Acknowledgement

We thank the staff at the City of Nedlands for their support and assistance to us in executing this review.

2. AUDIT APPROACH

2.1   Objectives of Review

The objective of this review was to assess whether the procedures and practices adopted at City of Nedlands in relation to capital works management and processes are operating in an effective and efficient manner, and to identify potential additional measures that may assist the City in improving its capital works management practices.

2.2   Scope of Review

The following areas were covered as part of the review:

- The City's capital works management framework;
- The process for the development and approval of the annual capital program, i.e. identification and prioritisation;
- The process for the review and monitoring of the capital works programs;
- The process for the reallocation of funds between capital projects (if any); and
- The process for undertaking post implementation reviews of capital projects.

At the planning meeting it was agreed that this review would principally cover the Capital Works Program and the procedures in place to bring forth the Capital Works undertaken by the City for the year.

2.3   Exclusions

With regard to the Project Management aspect of the Capital Works conducted by the City, these areas were covered in a separate review, namely the Project Management Review we completed in 2014. Procurement of resources required for the Capital Works program was covered in the Procurement and Contract Management Review we completed in 2014.

Additionally, processes and procedures surrounding the budgeting and forecasting of projects will be reviewed in detail during the upcoming Budgeting, Forecasting and Management Accounts Review.

2.4   Approach

In executing this review, we:

Obtained an understanding of individual systems and processes and their relationships with the wider internal control environment

- We held discussions with staff in order to gain an understanding of the key capital works processes and staff roles and responsibilities.

Identified and prioritised risks and controls

- We identified and prioritised the key risks that are inherent within the capital works practices and processes. Thereafter, we identified the key controls that management have developed and implemented to manage these risks.

Performed walkthrough and substantive tests

- We carried out a combination of walkthrough and substantive testing procedures to observe and validate the controls described to us by staff. These procedures took the form of discussions, observation and sample testing.

Reported our findings and associated recommendations

- Upon conclusion of the fieldwork activities, we conducted a closeout meeting with management to discuss the results of the fieldwork activities.
- We then prepared a draft report highlighting key findings from our fieldwork and recommendations to address the identified control weaknesses. Thereafter, we issued the draft report to management to validate the accuracy of the findings and to ensure that all recommendations are practical in nature and appropriate in purpose.
- Upon receipt of the management comments in relation to our findings, we finalised our report for distribution.

3.   DETAILED FINDINGS

3.1 High Risk Findings

No High Risk Findings Noted.

3.2 Medium Risk Findings

Finding	Risk	Recommendation	Management Comment
3.2.1 Lack of a Formalised Capital Works Framework			
During our review, we noted that there is a lack of a formalised and documented Capital Works Framework. We noted from our discussion with key staff that there is a disparate understanding of the process – the current process can be separated into three phases: Initial Budgeting (Annual Budget Review), Project Implementation and Mid-Year Review. We noted a number of weaknesses in the different phases of the Capital Works Procedures: 1. New Initiatives: In this phase of the cycle, managers are to submit their proposals to be submitted for the annual budget meeting. As there is no set framework, the submissions are unorganised and do not link to any specific criteria. Furthermore, the introduction of 'new initiatives' puts unnecessary complication into the process. New initiatives are new projects brought up by the community or staff members that have not been included in the 10 Year Forward Plan – the inclusion of these initiatives skew the budgeted figures. There are currently no framework or process in	• Reputational damage if community members inquire regarding the decision making process; • No set framework to determine which projects require the most attention by the Council, which may lead to the community's dissatisfaction; • Inefficiencies in the decision making process; • A delay in the progress of capital works projects.	Management should develop a proper Capital Works Framework that details: • The decision making process that the Councillors are a part of and the decision making process that • Set out a clear criteria for assisting in the selection of New Initiatives to be included in the annual budget plan – this is to reduce the effect they have on the budget • Set out criteria that helps with the decision making process for the termination or delay of projects in order to streamline the process of the mid-year review – this also removes the possibility of Councillors raising issues on the termination or delay	Management Action: Agreed, a more formalised framework will be developed in time for the 2016/17 Budget process. This will be linked to the Asset Management Strategy, Forward Works Plan as well as the Strategic Community Plan and Corporate Business Plan Responsible Official: Mark Goodlet Director Technical Services and Michael Cole, Director Corporate and Strategy Implementation Date: January 2016

3.2 Medium Risk Findings

Finding	Risk	Recommendation	Management Comment
filtering the more appropriate New Initiatives – furthermore, there is no classification criteria that can re-classify the New Initiatives in terms of criticality and impact on the community if it is left unattended. Notwithstanding the above, we did note that the executive team do perform an analysis of the new initiatives that have been introduced to the City and calculate the effect they have on the budget – taking into consideration the costs for the planned projects from the Strategic Community Plan. 2. Undocumented Decision-making Process: Currently, the capital work projects to be undertaken by the City are discussed and decided by the Council during their annual budget meeting. We discussed with key personnel regarding the decision making process and noted that there is no framework that sets out the entire process. Councillor decisions on which capital works projects will be accepted or rejected during the annual budget review; these decisions are not supported by a formal recommendation criteria. Every six months, the Council performs a mid-year review to review the progress of the selected projects from the annual budget meeting. In this review, Councillors will determine whether ongoing projects are to continue, to be delayed to another period or to be terminated. Furthermore, our review of the Council Meeting		of specific projects that do not meet the criteria set out – furthermore, this sets out to the community what needs to happen if a project is delayed or terminated ● The framework should detail the review process and establish recognisable KPIs that the Council is required to meet as part of the Strategic Community Plan. Furthermore, the developed framework should be submitted to Council for approval, so that they are aware of the internal processes that are required to undertake to process any changes they may want to push through.	

3.2 Medium Risk Findings

Finding	Risk	Recommendation	Management Comment
Minutes, we were unable to determine the decision making process. Nor is there feedback on the decision regarding projects that were not selected. We noted that there is no formal documentation or reporting that outlines the decisions made and that is communicated to staff members after the decision-making process (currently staff at the City use a spreadsheet to document and keep track of decisions made). Notwithstanding the above, we understand that there are certain criteria outlined in the Strategic Community Plan, however, this does not completely illustrate the requirements and the decision making process that will be undertaken by the Councillors. 3. Undefined Employee Roles and Responsibilities: During the review, we noted that there is a lack of structure in terms of employee roles and responsibilities during the budgeting process. Employees are unsure as to their direct responsibilities within the capital works process. Currently, the budgeting process involves various people - but we are unable to trace this to a clearly defined document; as a result, employees cannot effectively describe what is required and what the key deliverables for their area of responsibility are.			

3.2 Medium Risk Findings

Finding	Risk	Recommendation	Management Comment
3.2.2 Lack of formalised capital work guidelines			
During the course of our review, we noted a lack of set policies and procedures that accurately describe the process regarding the creation, review and approval of Capital Works projects. Furthermore, we also noted that there is a lack of guidelines set out for new initiatives (new projects) to assist staff in creating proposals to management. We have conducted walkthrough meetings with key personnel and noted that staff members are aware of the overall procedures surrounding the capital works program; however, we noted a disparate understanding with the interviewees. We have also noted that there is a lack of guidelines and reporting requirements for a project being delayed or terminated. There is no current action plan that employees are able to follow when unexpected disruptions occur.	• Key person dependency; this will materialise when a key person leaves or is incapacitated for an extended period of time; • Staff deviating from the desired work procedures; • Inefficiencies and confusion caused from a lack of definition of roles and responsibilities; • Lack of budgeting activities in that projects may be selected on incorrect budget assumptions; • Insufficient contingencies built into budgets; • Excessive contingencies built into budgets.	Management should work towards developing a formalised guideline document, in order to ensure that all staff members involved in the process is aware of the procedures in place. Furthermore, this guideline should be submitted to the Council for approval, which will also confirm the process with the Councillors so that they are informed as to how the entire process works and are able to take into consideration the effects their decisions have on the entire process.	**Management Action:** Agreed, a more formalised guideline document will be developed in time for the 2016/17 Budget process. This will be linked to the Asset Management Strategy, Forward Works Plan as well as the Strategic Community Plan and Corporate Business Plan **Responsible Official:** Mark Goodlet Director Technical Services **Implementation Date:** January 2016

3.3 Low Risk Findings

Finding	Risk	Recommendation	Management Comment
3.3.1 Insufficient comparative reviews of the Strategy Plan			
Inadequate reviews performed with regards to planned work and achieved goals. We noted during our review of the Strategy Plan that there are some comparisons that will be made in the form of comparing the Forward Plan with the current status. There is a lack of KPI's set up to monitor to progress of the capital works program.	• Current progress cannot be accurately gauged; • No benchmark is established to accurately determine effectiveness and efficiency of the projects undertaken by the City.	Management should work towards developing a framework/benchmark where they are able to establish a starting point for comparative reviews to be undertaken. This benchmark should be extracted from the Strategy Plan and reviewed and approved by the Council.	Management Action: Management will review reporting against the Strategic Community Plan. Responsible Official: Michael Cole, Director Corporate and Strategy Implementation Date: December 2015

5. KEY ENGAGEMENT DETAILS & TIMINGS

Key engagement details

Date Final Report Issued	1 October 2015
Review Period Covered	1 September 2013 – 30 September 2014
BDO Engagement Director	Wayne Basford
Draft Report to be issued to Client Sponsor	Mark Goodlet

Key engagement timings

Key Events	Expected Date	Actual Date	Comments on Variations
Planning Meeting	9/2/2015	10/02/2015	
Fieldwork commencement	16/02/2015	17/02/2015	
Fieldwork completion	23/02/2015	13/04/2015	Staff unavailability.
Close out meeting	27/02/2015	22/05/2015	Staff unavailability.
Draft report sent	04/03/2015	24/08/2015	Delays in the follow-up process.
Management Comments Received	18/03/2015	24/09/2015	Management comments for the City goes through the Executive
Final report issued	30/03/2015	01/10/2015	

Engagement participants

Name	Title
City of Nedlands	
Rajah Senathirajah	Manager – Finance
Mark Goodlet	Director – Technical Services
Michael Cole	Director – Corporate Strategy & Planning
Mike Fletcher	Manager – Corporate Strategy & Systems
Maria Hulls	Manager – Engineering Services
BDO	
Wayne Basford	Director
Lih Ling Ma	Senior Manager
Luiz Salgueiro	Manager
Ridzwan Mahdi	Senior Consultant
Jordan Chang	Consultant

6.   RISK RATINGS

Overall report rating

Ratings awarded represent the conclusion of our audit based on the results of the audit of a process or audit area. The control environment has been rated using the following criteria. These were agreed with management before the engagement commenced.

Rating	Definition
Weak	No control framework in place. Significant control weaknesses were noted which have resulted in a material exposure. No compensating controls in place to mitigate the identified risks.
Marginal	Limited control framework in place. Significant control weaknesses were noted which, if not addressed, may result in a material exposure.
Satisfactory	Overall a control framework is in place. Some improvements identified which would further strengthen the control environment.
Good	Strong control environment in place and operating effectively (subject to limitations of sampling).

Rating individual findings

The following framework for audit ratings has been developed in order to prioritise the internal audit findings according to their relative significance, depending on their impact on a process. The individual audit findings contained in this report have been discussed and rated with management.

Rating	Definition
High	Issue represents a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives.
Medium	Issue represents a control weakness which could have or is having a significant adverse effect on the ability to achieve process objectives.
Low	Issue represents a minor control weakness with minimal but reportable impact on the ability to achieve process objectives.
Observations	Issue represents an opportunity for management to consider in order to improve the effectiveness of the control environment.

7. INHERENT LIMITATIONS

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure within which the control procedures that are subject to internal audit operate is not reviewed in its entirety and, therefore, no opinion or view is expressed as to the effectiveness of the greater internal control structure. An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are done on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this internal audit report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, client management and personnel. We have indicated within this internal audit report the sources of the information provided. We have not sought to verify those sources independently unless otherwise noted within the internal audit report. We are under no obligation in any circumstance to update this internal audit report, in either oral or written form, for events occurring after the internal audit report has been issued in final form unless specifically agreed with management.

8. RESTRICTION OF USE

This report is intended solely for the use of management, the City of Nedlands Council, the external auditors, regulatory agencies or the City's legal counsel and cannot be used by, circulated, quoted, disclosed, or distributed to third parties without BDO's prior written consent.

7.3 BDO INTERNAL AUDIT REPORT – ACCOUNTS PAYABLE

Background

BDO Audit (WA) Pty Ltd are the City's appointed Internal Auditors.

As part of the Internal Audit plan, BDO Audit (WA) Pty Ltd conducted a Accounts Payable Review.

The following areas were covered as part of the review:

- Supplier master data maintenance;
- Invoice processing including verification and approval;
- Payment processing including preparation of payment proposals, "out-of-cycle" / urgent payments or one time supplier, reconciliation and review of payment proposals, payment authorisation and release;
- Reconciliation of AP, GL and Bank accounts;
- Exception reporting; User access security controls to both Authority and online banking platform systems; and
- AP policy and procedures.

At the planning meeting it was agreed that this review would principally cover the period 1 July 2014 to 30 June 2015. The report identified a number of findings and for each finding a recommendation and management comment is provided.

The Accounts Payable Review is presented to the Audit and Risk Committee for their information.

Recommendation to the Audit and Risk Committee

The Audit and Risk Committee receives the Capital Works Review IT General Controls Review and notes the finding and recommendation of the review and the actions proposed by Administration.

Attachment

1.   BDO Audit (WA) Pty Ltd – Accounts Payable Review

29 January 2016

Mr Michael Cole
Director of Corporate Strategy
City of Nedlands
71 Stirling Highway

Nedlands WA 6009

Dear Michael,

City of Nedlands ("the City") – Accounts Payable Review

We write to advise you of the completion of our review of the City of Nedlands' ("the City") accounts payable processes. This review has been conducted in accordance with our agreed Terms of Reference dated 6 July 2015. We now enclose our report which details the findings arising from the review.

Should you have any queries in relation to this report please do not hesitate to contact either myself on (08) 6382 4750 or Luiz Salgueiro on (08) 6382 4803.

Yours faithfully,
BDO Advisory (WA) Pty Ltd
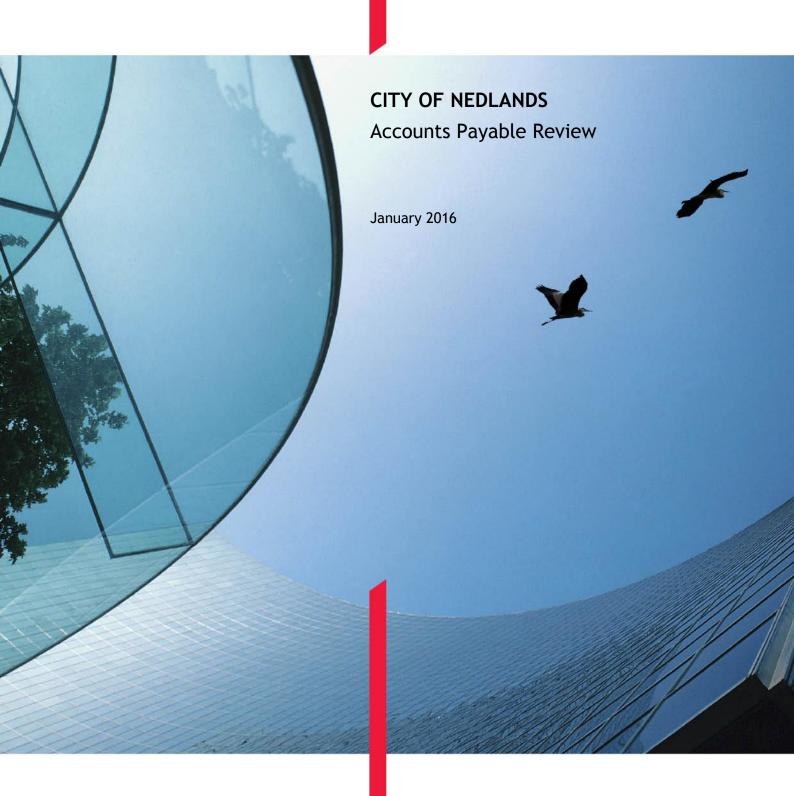
Andrew Hillbeck
Principal

Encl.

CITY OF NEDLANDS
Accounts Payable Review

January 2016

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1. EXECUTIVE SUMMARY

1.1 Context

In accordance with the 2014/15 Internal Audit Annual Plan, we have completed our Accounts Payable review.

The City of Nedlands (the City) Accounts Payable (AP) function is managed by the AP Supervisor in the Finance Department using the Authority system. Our review included transactions for the period 1 July 2014 to 30 June 2015 with payments totalling around $34,348,000. The scope of the review was:

- Supplier master data maintenance;
- Invoice processing including verification and approval;
- Payment processing including preparation of payment proposals, "out-of-cycle" / urgent payments or one time supplier, reconciliation and review of payment proposals, payment authorisation and release;
- Reconciliation of AP, GL and Bank accounts;
- Exception reporting;
- User access security controls to both Authority and online banking platform systems; AP policy and procedures.

1.2 Conclusion

We use a four scale rating conclusion, with the 'Good' conclusion being the most favourable rating, to 'Satisfactory', then 'Marginal', and a 'Weak' conclusion being the least favourable. In reaching our assessment, we have considered the weaknesses in the Authority system and existing undocumented compensating controls.

The overall rating for this review is '*Marginal'*.

Appropriate segregation of duties and application of Delegation of Authority - We identified appropriate segregation of duties between raising purchase orders and release of payments. Approval limits for purchases are further controlled by the existence of a delegation of authority policy, which limits the amount that certain staff members are authorised to approve.

System limitations prevent effective automated controls within accounts payable - We identified that functionality limitations of the Authority system prevent implementation of automated controls to reduce the risk of fraudulent or erroneous activity occurring. This includes input of duplicate invoices, variances between invoices and purchase orders and changes to prices in paid invoices.

Lack of control over supplier master file – We identified that there is no control over the creation of new suppliers on the system, the amendment of existing suppliers and the detection of duplicate suppliers. However, we understand that this is partly due to the limitation of the Authority System preventing finance personnel from implementing effective and efficient controls over supplier master data.

Excessive number of users with access to accounts payable module - We identified an excessive number of users with highest level access to the Accounts Payable and Purchasing modules within Authority. In most instances the level of access was not in line with the person's duties.

Accounts Payable Policies, Processes and Procedures are not documented - The accounts payable policies, procedures and processes are not documented. Without these, reliance is placed on knowledge and expertise of personnel for effective control accounts payable functions placing unnecessary workload on the small finance team.

1.3   Summary of key findings

Our review identified two 'High' rated findings, two 'Medium' rated findings, one 'Low' rated finding and one 'Improvement Opportunity'. These are summarised in Table 1 below. The findings are further explained in Section 3 of this report. The definitions of individual ratings are provided at Section 6 of this report.

Table 1: Summary of 'High' rated,'Medium' rated and 'Low' rated findings	
Reference	**Findings**
'High' Rated Findings	
3.1.1	**System limitation to support the Accounts Payable Function** Existence of control deficiencies in the Accounts Payable function, as a result of the system being unable to: o Detect variances in invoices and purchase orders; o Prevent changes in the price of line items in invoices paid; o Prevent changes in the amount of goods received or ordered in the invoices paid; o Prevent duplicate invoices from being entered into the system; o Extract supplier master data for review.
3.1.2	**Lack of control over supplier master file** There is no control over the supplier master file maintenance for the following areas: o Creation of new suppliers o Amendment of existing suppliers o Detection of duplicate suppliers and ABN numbers
'Medium' Rated Findings	
3.2.1	**Excessive number of Users with access to Purchasing and Accounts Payable Modules** • There are 23 users with the same level of access to the Purchasing and Accounts Payable modules resulting in a lack of segregations of duties and may lead to fraudulent activities. • User access levels and respective AP functions in the system have not been defined. The levels of access granted to these users are the highest level available.
3.2.2	**Lack of Accounts Payable Policies and Procedures** There is no current policy or procedure that outlines the roles and responsibilities of staff members in the accounts payable process.
'Low' Rated Findings	
3.3.1	**Inconsistent records management – New Supplier/ Creditor Form** We noted 7 out of 9 forms were not signed off for the creation of new supplier on Authority.

1.4   Acknowledgement

We thank the staff at the City of Nedlands for their support and assistance to us in executing this review.

2.   AUDIT APPROACH

2.1   Objectives of Review

The objective of this review was to assess whether the procedures and practices adopted at City of Nedlands in relation to accounts payable are operating in an effective and efficient manner, and to identify potential measures that may assist the City in improving its accounts payable practices.

2.2   Scope of Review

The following areas were covered as part of the review:

- Supplier master data maintenance;
- Invoice processing including verification and approval;
- Payment processing including preparation of payment proposals, "out-of-cycle" / urgent payments or one time suppliers, reconciliation and review of payment proposals, payment authorisation and release;
- Reconciliation of AP, GL and Bank accounts;
- Exception reporting;
- User access security controls to both Authority and online banking platform systems;
- AP policy and procedures.

2.3   Exclusions

The following areas were considered to be out of scope:

- Detailed testing on purchase order processing, duplicate invoices and reconciliation processes (through detailed invoice testing) have been covered in Procurement and Contract Management Review performed in April 2015;
- Detailed testing procedures on the reconciliation processes of all expenses at the City have been covered in the Cash and Bank Review performed in June 2014;
- Other payment channels such as cash, cheques and corporate credit cards have been covered in the Expenses and Corporate Credit Card Review performed in December 2014;
- Other payment types such as staff reimbursement and loan repayment.

2.4　Approach

In executing this review, we:

Obtained an understanding of individual systems and processes and their relationships with the wider internal control environment

- We held discussions with staff in order to gain an understanding of the key accounts payable processes and staff roles and responsibilities.

Identified and prioritised risks and controls

- We identified and prioritised the key risks that are inherent within the accounts payable processes. Thereafter, we identified the key controls that management have developed and implemented to manage these risks.

Performed walkthrough and substantive tests

- We carried out a combination of walkthrough and substantive testing procedures to observe and validate the controls described to us by staff. These procedures took the form of discussions, observation and sample testing.

Reported our findings and associated recommendations

- Upon conclusion of the fieldwork activities, we conducted a closeout meeting with management to discuss the results of the fieldwork activities.
- We then prepared a draft report highlighting key findings from our fieldwork and recommendations to address the identified control weaknesses. Thereafter, we issued the draft report to management to validate the accuracy of the findings and to ensure that all recommendations are practical in nature and appropriate in purpose.
- Upon receipt of the management comments in relation to our findings, we finalised our report for distribution.

3.   DETAILED FINDINGS

3.1 High Risk Findings

Finding	Risk	Recommendation	Management Comment
3.1.1 System limitations prevent effective control of the Accounts Payable Function			
We performed test scenarios to evaluate the adequacy of the system controls of Authority's Accounts Payable Function. The results of our testing revealed several system limitations; increasing the risk of erroneous and potentially fraudulent activity. We identified that the system is unable to: • Detect invoice to purchase order variances; • Prevent changes to the price the line items within the purchase orders during the invoice payment phase; • Prevent changes to the quantity of goods within the purchase orders during the invoice payment phase; • Reconcile the amounts entered during the invoice payment phase with the purchase order that is linked to the invoice; • Prevent duplicate invoices from being entered into the system; • Extract the supplier master data for review. Furthermore, this risk is further increased due to the finding we have highlighted below regarding the number of users with access to the Accounts Payable and Purchasing modules of Authority.	• Financial loss due to fictitious, fraudulent or erroneous creation / amendment to Authority data; • Undetected fraudulent or erroneous activity.	• Management to communicate system limitations to their Authority service provider, Civica. • Management to perform a full system review of Authority, and evaluate its functionality with comparisons to the required controls for the functions it provides (e.g. Accounts Payable). • Management to discuss with Civica the appropriate course of action with regards to placing the required controls in place to segregate particular functions and to strengthen the overall security of the Authority system in detecting and preventing fraudulent and erroneous activity.	**Management Action:** Management is communicating with Civica on a continuous basis with a view to improve overall systems delivery and minimising system limitations. The City has a Civica consultant who is onsite one day a week and these issues will be attended to. The invoice to PO variance may arise as a result of several factors including last minute price changes, delivery costs and postage and handling. On the operational level, Management is unaware of payment discrepancy in AP function during the period under review. In agreeing with audit recommendation, Manager Finance will extract supplier master file for review at least once a year. Management will review the number of users and their level of access to the Accounts Payable and Purchasing modules in order to minimise risk of error or fraud.

Finding	Risk	Recommendation	Management Comment
We identified compensating controls that may detect any fraudulent or erroneous activity. At different stages of the accounts payable process, there are manual checks performed by finance and the heads of department. However, as these checks are manual, the risk of error or fraud increases.			**Responsible Official:** Director of Corporate Strategy **Implementation Date:** 1 December 2015
3.1.2 Lack of control over supplier master file			
We identified that there is no control over the creation of new suppliers on the system, the amendment of existing suppliers and the detection of duplicate suppliers. We understand that this is partly due to the limitation of the Authority System preventing finance personnel from implementing effective and efficient controls over supplier master data.	• Lack of segregation of duties • Creation of fictitious suppliers • Unapproved changes being made to the	• Management to discuss with Civica regarding the implementation of audit logs or exception reports to capture the following: - creation of new suppliers; - amendment to supplier details, mainly the banking details; - existence of duplicate suppliers including duplicate ABN check. • An independent person to review the exception report and follow up with the Accounts Payable personnel should any discrepancies arise.	**Management Action:** Management has instructed the Civica onsite consultant to review this and as a result only 3 members of staff have control over the creation of new suppliers. Access to new supplier creation has been taken off from officers who has a role in revenue receipting including sundry debtors and rate officers who may require to create new suppliers before issuing a refund. **Responsible Official:** Finance Manager **Implementation Date:** **1 December 2015**

3.2 Medium Risk Findings

Finding	Risk	Recommendation	Management Comment
3.2.1 Excessive number of users with access to Purchasing and Accounts Payable modules			
We identified that 23 Users have the highest level of access to Accounts Payable and Purchasing (please see Appendix 1 for the full user listing). These users have the same level of access as the Officers who process the accounts payable and the purchasing. We identified that: • 212 Users have access to the Purchasing Module • 213 Users have access to the AP Module The level of access granted to these users is basic; however, many of these users do not require any access to the Purchasing or Accounts Payable module and a number of users have been terminated from the City, with access to the system.	• Financial loss due to fictitious, fraudulent or erroneous amendments to POs; • Unauthorised transactions being processed by users with excessive access rights.	• Management to review the staff members with access to the Purchasing and Accounts Payable modules. This review will refer to the staff member's position within the City; and determine whether or not they require the access given. • If staff members are found to have access rights above their current roles and responsibilities, their access is to be immediately removed. Employees that are no longer employed at the City should also have their access removed from the system. This review of user access should be conducted at least twice a year.	**Management Action:** A review has been made on this and some access to AP and Purchasing has been taken away from several Officers. All Managers and Supervisors will still have basic access in order to facilitate their AP and Purchasing functions usually making enquiries and checking of account codes. **Responsible Official:** Director of Corporate Strategy **Implementation Date:** 1 December 2015

3.2 Medium Risk Findings (continued)

Finding	Risk	Recommendation	Management Comment
3.2.2 Accounts Payable Policies and Procedures are not documented			
There is no current policy or procedure document that details the current Accounts Payable procedures at the City. Presently, staff members have to train incoming new starters on the day-to-day operations.	• Staff members are unable to benchmark their current activities with the activities that should be completed • Staff members are unsure as to what their roles and responsibilities are regarding the accounts payable process	Management to develop a standardised accounts payable policy and procedure document. This document should use the current undocumented procedures in place as a base in order to develop and strengthen the existing processes in place. The developed document should be reviewed by key staff members on a regular basis and signed off by management.	**Management Action:** Management will introduce and implement an Accounts Payable Policy on or after the introduction of Civica's electronic AP module from 1 April 2016. **Responsible Official:** Director of Corporate Strategy **Implementation Date:** 1 July 2016

3.3 Low Risk Findings

Finding	Risk	Recommendation	Management Comment
3.3.1 Inconsistent records management – New Supplier/Creditor Forms			
We identified: • Finance staff do not consistently sign off on the forms that are submitted for new suppliers - with 7 out of 9 sampled not having the appropriate sign-offs; • Forms are not appropriately signed - 3 out of 9 forms sample tested were not stamped.	Financial loss arising from the creation and payment to fictitious, fraudulent and erroneous suppliers.	Management to re-enforce records management requirements for the procedures in place to ensure that accountability of tasks are appropriately delegated.	**Management Action:** Management will in future ensure all sign off on the forms with immediate effect. **Responsible Official:** Finance Manager **Implementation Date:** 1 November 2015

4. Improvement Opportunities

Finding	Recommendation	Management Comment
4.1 Improvements surrounding the receipt of goods		
During the course of the review, we were made aware of an incident that occurred in the beginning of 2015. This incident was the misappropriation of goods ordered by a City staff member. We noted that the root cause of this incident was a deficiency in the process of receipting goods within the City. Presently, there is no main custodian that is responsible for the receipt of all goods delivered into the City.	We recommend that management establish a custodian for all goods delivered into the City. The custodian would preferably work in the front desk of the Head Office and will collect all goods delivered into the City. The staff member the delivery is addressed to is then required to pick up their delivery from the custodian and sign-off a register that the good has been obtained.	**Management Action:** Management will consider Audit findings. **Responsible Official:** Director of Corporate Strategy **Implementation Date:** 1 November 2015

5. KEY ENGAGEMENT DETAILS & TIMINGS

Key engagement details

Date Final Report Issued	**29 January 2016**
Review Period Covered	1 July 2014 – 30 June 2015
BDO Engagement Principal	Andrew Hillbeck
Report to be issued to Client Sponsor	Michael Cole

Key engagement timings

Key Events	Expected Date	Actual Date	Comments on Variations
Planning Meeting	06/7/2015	06/07/2015	
Fieldwork commencement	13/07/2015	27/07/2015	Delayed due to availability of key staff members
Fieldwork completion	17/07/2015	19/08/2015	Delayed due to availability of key staff members
Close out meeting	22/07/2015	20/10/2015	
Draft report sent	22/07/2015	20/10/2015	
Management Comments Received	31/07/2015	21/12/2015	
Final report issued	03/08/2015	28/01/2016	

Engagement participants

Name	Title
City of Nedlands	
Kim Chua	Manager - Finance
Nana McIntosh	Accountant
Michael Cole	Director – Corporate Strategy & Planning
BDO	
Andrew Hillbeck	Principal
Luiz Salgueiro	Manager
Ridzwan Mahdi	Senior Consultant
Jordan Chang	Consultant

6. APPENDIX

Appendix 1 – Purchasing and Accounts Payable Module - User Listing

Employee Name:	Employee ID:	Full Access to Purchasing Module?	Full Access to Accounts Payable Module?	Comments:
Ms L E Abbott	66511	✔	✔	
Mrs V L Antcliff	31171	✔	✔	
Miss K Binding	75630	✔	✔	
Mrs S Cheryl	85251	✔	✔	
Mr K Chua	87065	✔	✔	
Ms P Chudasama	87315	✔	✔	
Civica Pty Ltd	30398	✔	✔	Generic Account
Mr M R Cole	75043	✔	✔	
Mr J Filippone	82858	✔	✔	
Mr M Fletcher	83848	✔		
Ms S Foo	82583	✔	✔	
Miss S Freeman	85489	✔	✔	
Ms V Jayaraman	81590	✔	✔	
Mrs R Kaushal	81707	✔	✔	
Mr S Lim	83080	✔	✔	Terminated Employee
Ms N K McIntosh	72112	✔	✔	
Outsource Business Support Solutions	76315	✔	✔	Generic Account
Mrs J Patel	83851	✔	✔	
P Review	79849	✔	✔	Generic Account
Mr V R Senathirajah	76362	✔	✔	Terminated Employee
Mr H M Shiblee	83216	✔	✔	
Mr G K Trevaskis	83275	✔		
Mr D J Wong	81877	✔	✔	

Mr S J Fletcher	81323		✔	
Ms K A Trevaskis	80529		✔	

7. RISK RATINGS

Overall report rating

Ratings awarded represent the conclusion of our audit based on the results of the audit of a process or audit area. The control environment has been rated using the following criteria. These were agreed with management before the engagement commenced.

Rating	Definition
Weak	No control framework in place. Significant control weaknesses were noted which have resulted in a material exposure. No compensating controls in place to mitigate the identified risks.
Marginal	Limited control framework in place. Significant control weaknesses were noted which, if not addressed, may result in a material exposure.
Satisfactory	Overall a control framework is in place. Some improvements identified which would further strengthen the control environment.
Good	Strong control environment in place and operating effectively (subject to limitations of sampling).

Rating individual findings

The following framework for audit ratings has been developed in order to prioritise the internal audit findings according to their relative significance, depending on their impact on a process. The individual audit findings contained in this report have been discussed and rated with management.

Rating	Definition
High	Issue represents a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives.
Medium	Issue represents a control weakness which could have or is having a significant adverse effect on the ability to achieve process objectives.
Low	Issue represents a minor control weakness with minimal but reportable impact on the ability to achieve process objectives.
Observations	Issue represents an opportunity for management to consider in order to improve the effectiveness of the control environment.

8. INHERENT LIMITATIONS

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure within which the control procedures that are subject to internal audit operate is not reviewed in its entirety and, therefore, no opinion or view is expressed as to the effectiveness of the greater internal control structure. An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are done on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this internal audit report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, client management and personnel. We have indicated within this internal audit report the sources of the information provided. We have not sought to verify those sources independently unless otherwise noted within the internal audit report. We are under no obligation in any circumstance to update this internal audit report, in either oral or written form, for events occurring after the internal audit report has been issued in final form unless specifically agreed with management.

9. RESTRICTION OF USE

This report is intended solely for the use of management, the City of Nedlands Council, the external auditors, regulatory agencies or the City's legal counsel and cannot be used by, circulated, quoted, disclosed, or distributed to third parties without BDO's prior written consent.

7.4   BDO INTERNAL AUDIT REPORT – PAYROLL

Background

BDO Audit (WA) Pty Ltd are the City's appointed Internal Auditors.

As part of the Internal Audit plan, BDO Audit (WA) Pty Ltd conducted a Payroll Review.

The objective of the review was to test that processes are in place to ensure:

- Only bona fide employees are paid for work performed and are paid on time;
- Correct pay rates are used to make the payment;
- Robust access controls exist in relation to the electronic payroll processes and security of supporting documents;
- The system is secure and there are adequate segregation of duties;
- Amendments to the payroll are valid, accurate and processed in a timely manner;
- Payroll costs are correctly accounted for.

The following areas were covered as part of the review:

1. Payroll and employee master file maintenance;
2. Time and attendance;
3. Payroll processing;
4. Payroll disbursement;
5. Payroll reconciliation;
6. Payroll monitoring;
7. System access.

The report identified a number of findings and for each finding a recommendation and management comment is provided.

The Accounts Payable Review is presented to the Audit and Risk Committee for their information.

Recommendation to the Audit and Risk Committee

The Audit and Risk Committee receives the Payroll Review and notes the finding and recommendation of the review and the actions proposed by Administration.

Attachment

1. BDO Audit (WA) Pty Ltd – Payroll Review

29 January 2016

Mr Michael Cole
Director of Corporate Strategy
City of Nedlands
71 Stirling Highway
Nedlands WA 6009

Dear Michael,

City of Nedlands – Payroll Review

We write to advise you of the completion of our review of the City of Nedlands' Payroll process. This review has been conducted in accordance with our agreed Terms of Reference dated 29 April 2015. We now enclose our report which details the findings arising from the review.

Should you have any queries in relation to this report please do not hesitate to contact either myself on (08) 6382 4750 or Luiz Salgueiro on (08) 6382 4803.

Yours faithfully,
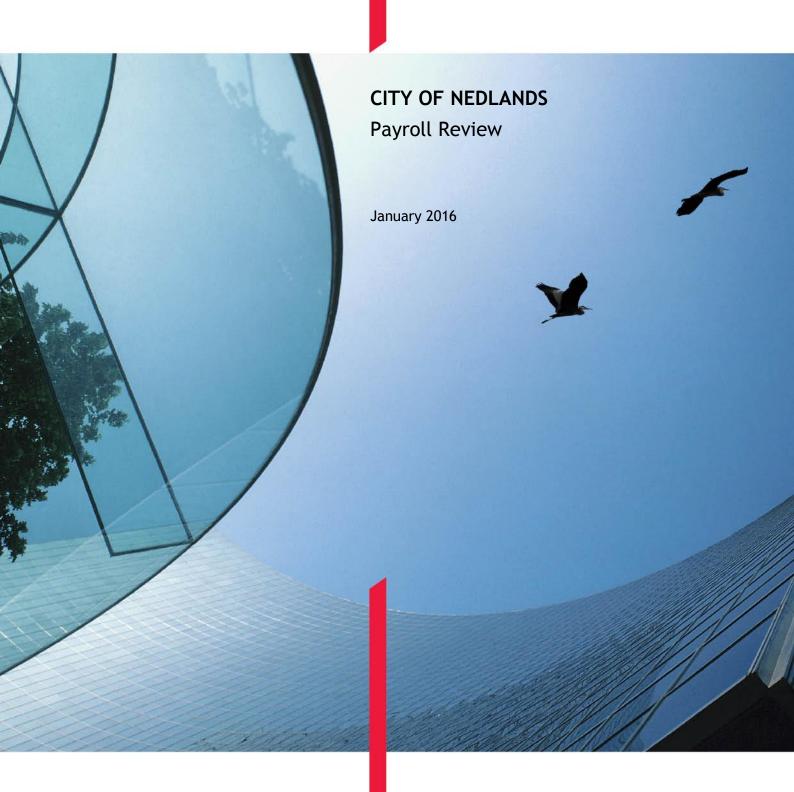**BDO Advisory (WA) Pty Ltd**

Andrew Hillbeck
Principal

Encl.

CITY OF NEDLANDS
Payroll Review

January 2016

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1. EXECUTIVE SUMMARY

1.1 Context

In accordance with the 2014/15 Internal Audit Annual Plan, a payroll process review was performed. The City of Nedlands ("the City"), payroll processing function is managed by the Payroll Officer in the Finance Department. The payroll processing function consists of employee payroll, benefits, pensions and government deductions for approximately 124 full-time, 24 casual and 42 part time employees. Approximately $11,622,102.63 (for FY2014/15) in employee gross earnings processed annually.

The City uses the Authority system for calculating and processing employee pay, superannuation and tax deductions. The majority of employees are on standard payroll scheme. Timesheets are only applicable to part-time staff and staff who are allowed to charge overtime.

Personnel details of new employees are obtained by Human Resources, the approved personnel details are then passed to the Payroll Officer for setting up new employees in the payroll module within Authority. Any subsequent changes to employee details in Authority require a submission of a change request with approval from the employee's respective line manager. Posting of payroll data to the general ledger is automated within the Authority system. Payroll is processed on a fortnightly basis; the payment file extracted from the payroll module is uploaded to NAB Connect (online banking platform) by Finance. Reconciliation of the payroll account is performed by Finance as part of their bank reconciliation process.

1.2 Conclusion

At the City, the Payroll Officer is responsible for a number of payroll activities such as adding new employees in Authority, modifying the employee master file and processing the fortnightly payroll. Apart from the review of the payroll listing against the payroll payment file by Finance during the fortnightly payroll process, we noted a lack of independent review of the other payroll activities performed by the Payroll Officer.

We also noted that there were excessive number of users (i.e. total number of 22 users) granted with full access rights to the Payroll module within Authority; the system does not generate any exception reports for independent review. Furthermore, we noted that the current documented payroll procedures are informal and outdated; they do not reflect the actual routine payroll procedures performed by the Payroll Officer.

The control gaps identified represent risks of segregation of duties, data integrity and data confidentiality, as a result we conclude that the overall rating for this review is *"Marginal"*. We use a four scale rating conclusion, with the "Good" conclusion being the most favourable rating, to "Satisfactory", then "Marginal", and a "Weak" conclusion being the least favourable.

We believe that the rectification of the identified weaknesses will mitigate the risks and contribute to raising the overall effectiveness and efficiency of the control environment around the payroll process.

1.3 Summary of key findings

Our review identified two 'High' rated findings and three 'Medium' rated findings. These are summarised in Table 1 below. The findings and observations are further explained in Section 3 of this report. The definitions of individual ratings are provided at Section 6 of this report.

Table 1: Summary of 'High' and 'Medium' rated findings	
Reference	**Findings**
High Risk	
3.1.1	**Lack of Segregation of Duties**
	At the time of the review, the Payroll Officer is responsible for performing the following key payroll processes:
	• Setting up new employees on the Payroll System
	• Setting up new and modifying current employee pay rates
	• Processing the fortnightly payroll processes
	• Processing routine and off-cycle payroll payments
	There is no independent review on the listed payroll activities by an appropriate manager. This includes independent verification of the payroll data entered and processed by the Payroll Officer in the system against the approved source documents.
3.1.2	**Excessive number of users with full access to the Payroll module**
	There are 22 users with full access to the Payroll module; these access rights allow the users to perform actions such as: modify employee master data including employee pay rates.
Medium Risk	
3.2.1	**Lack of formalised Payroll policy and procedures**
	There is no formal policy and procedure document for Payroll process. We noted an outdated and informal Payroll procedure document with handwritten annotations used to indicate changes in procedures.
3.2.2	**Inadequate exception reporting and review**
	The Authority system does not generate exception reporting that tracks changes to employee master data (i.e. personal, pay rates, bank account details).
3.2.3	**Pay Code Calculator is not password protected**
	Pay code creation sheet (in MS Excel file) used to update the pay codes of employees after a remuneration review is not password protected. This file is stored in the Finance drive in Sharepoint which is accessible by other Finance staff.

1.4 Acknowledgement

We thank the staff at the City of Nedlands for their support and assistance to us in executing this review.

2.   Review Approach

2.1   Objectives of Review

The objective of the review was to test that processes are in place to ensure:

- Only bona fide employees are paid for work performed and are paid on time;
- Correct pay rates are used to make the payment;
- Robust access controls exist in relation to the electronic payroll processes and security of supporting documents;
- The system is secure and there are adequate segregation of duties;
- Amendments to the payroll are valid, accurate and processed in a timely manner;
- Payroll costs are correctly accounted for.

2.2   Scope of Review

The following areas were covered as part of the review:

- Payroll and employee master file maintenance;
- Time and attendance;
- Payroll processing;
- Payroll disbursement;
- Payroll reconciliation;
- Payroll monitoring;
- System access.

The following areas are out of scope for this review:

- Detailed testing on annual leave, long service leave, PAYG, sick leave, absenteeism, and excess leave.
- Human resources management process.
- Formal testing for "ghost" employees.
- Formal testing of employees being paid correct rates or correct hours.

2.3   Approach

In executing this review, we:

Obtained an understanding of individual systems and processes and their relationships with the wider internal control environment

- We held discussions with staff in order to gain an understanding of the key payroll practices and staff roles and responsibilities.

Identified and prioritised risks and controls

- We identified and prioritised the key risks that are inherent within the payroll practices and processes. Thereafter, we identified the key controls that management have developed and implemented to manage these risks.

Performed walkthrough and substantive tests

- We carried out a combination of walkthrough and substantive testing procedures to observe and validate the controls described to us by staff. These procedures took the form of discussions, observation and sample testing. Due to budget and time constraints, in the instances where we noted an absence of controls, we proceeded to report the issue without any further testing.

Reported our findings and associated recommendations

- Upon conclusion of the fieldwork activities, we conducted a closeout meeting with management to discuss the results of the fieldwork activities.
- We then prepared a draft report highlighting key findings from our fieldwork and recommendations to address the identified control weaknesses. Thereafter, we issued the draft report to management to validate the accuracy of the findings and to ensure that all recommendations are practical in nature and appropriate in purpose.
- Upon receipt of the management comments in relation to our findings, we finalised our report for distribution.

3. DETAILED FINDINGS & RECOMMENDATIONS

3.1 High Risk Findings

Finding	Risk/Impact	Recommendation	Management Comment
3.1.1 Lack of segregation of duties			
We noted that there was no independent review conducted by an appropriate manager on the payroll activities performed by the Payroll Officer. Currently, the Payroll Officer is responsible for the following payroll activities: 1. <u>Setting up new employees in Authority:</u> The Payroll Officer receives all pertinent information from the Human Resources (HR) department regarding a new employee and enters them into Authority, this include setting up pay rate. 2. <u>Modifying employee details in Authority:</u> Currently pay rates are to be modified if there is a salary adjustment for an employee as a result of a performance review. The Payroll Officer receives the new pay rates approved by the CEO from HR and enters it into Authority. 3. <u>Processing and authorising the fortnightly payroll process:</u> The Payroll Officer enters all approved timesheets and leave applications in Authority. We noted that the Finance Manager reviews	• Fictitious employees being created in the system; • Risk of fraudulent activity with regards to payroll; • Staff integrity may be compromised in the event of an error; • Incorrect/unauthorised changes to employee master data are not detected on a timely basis; • Clerical inaccuracies or errors not detected; • Reputational damage from the financial losses that could occur if any of the risks materialize. • Segregation of duties.	We recommend that: • Management should work with the software vendor to explore the possibility of enhancing/configuring the system to automate the segregation of the following functions i.e. ○ payroll master data entry and approval; ○ Payroll preparation and authorisation. • Alternatively, the payroll data processed by the Payroll Officer in Authority should be independently verified and reviewed by an appropriate manager against the approved source documents. The aim of this review process is to increase oversight on the payroll process and to mitigate the risk associated with the lack of segregation of	**Management Action:** Using and relying on the City's software vendor can be both time consuming and costly exercise. Management can achieve this by requiring HR to keep a register of all new employee set up. From 1 October 2015, all changes to the employee Masterfile including bank details & hourly rate will also be authorised and recorded on a register by HR. An annual ghost employee check with an element of surprise will also be performed by Finance and all pay variances with more than 10% will be scrutinised by the Finance Manager. Management will delegate the authority to Finance Manager who will be performing some checks against master file data changes to source documents.

3.1 High Risk Findings

Finding	Risk/Impact	Recommendation	Management Comment
and approves the payroll listing from Authority before it is entered into the banking system for payment. However, there was no independent verification of data entered into Authority against the approved source document to ensure the validity of the data entry and modification processed by Payroll Officer in Authority. These include employee master data maintenance and timesheets.		duties. • Enable system audit logging to ensure all activity within the payroll module is tracked to ensure adequate logs are kept in the event of error or inaccuracies. The audit trail should be reviewed by an appropriate manager on a regular basis.	**Responsible Official:** HR and Finance Managers. **Implementation Date:** From 1 October 2015.
3.1.2. Excessive users with full access rights to Authority Payroll module			
We noted a total number of 22 users were granted full access rights to the Payroll module in Authority System. These access rights include data entry to employee payroll master file, process payroll, generate pay run and reporting. Please refer to appendix A for the full user listing. Furthermore, we were informed that there is a dedicated Payroll Officer responsible for processing employee payroll, with two backup staff members from Finance to perform the role in the payroll officer's absence. The backup staff members are granted standing access to Payroll module.	• Unauthorised changes are made on the payroll data thus leading to data integrity issue; • Employees are placed in a compromising position in the event that suspicious activity is detected; • Unauthorised disclosure of employee sensitive or confidential information.	We recommend that: • Management should review the current payroll user access listing and remove the users who do not require the access to Payroll module as soon as practical. • A review of user access and their access rights to application and data should be carried out on a periodic basis (i.e. half yearly basis) with the aim of removing redundant users and to ensure access rights granted to users are compatible to their roles	**Management Action:** While there are 22 employees who have access to the payroll module, only 3 have maintenance rights with the rest "read" only access. One payroll and two HR employees who are given maintenance access are subject to an annual review. **Responsible Official:** Director of Corporate Strategy

3.1 High Risk Findings

Finding	Risk/Impact	Recommendation	Management Comment
		and responsibilities.	**Implementation Date:**
		• The user access to Payroll module for backup staff members should be disabled and only be activated on a need basis.	From 1 November 2015

3.2 Medium Risk Findings

Finding	Risk/Impact	Recommendation	Management Comment
3.2.1 Lack of Documented Payroll Policies and Procedures			
There is no formal Payroll Policy and Procedures that outline a complete payroll processes. From our review, we noted that there is an informal payroll procedure checklist that outlined the pay run process. This checklist was handwritten with annotations used to indicate changes in procedures.	Without formal documented payroll policy and procedures may potentially increase the risk of • Errors in carry out the payroll process due to procedures document do not reflect with the actual process activities; • Process continuity in the event key staff left the organisation; • Non-compliance to organisation rules and requirements.	Management should work with the Payroll Officer to develop a formal policy and procedure document for payroll processes. Areas to be addressed in the payroll policy and procedures should include but not be limited to, the following: • Maintenance of the payroll procedures • Roles and responsibilities • Payroll recording and processing • Payroll reconciliation • Payroll disbursement and payroll reporting • Payroll master file maintenance and audit reports • Relevant payroll processing forms	**Management Action:** Management will review the merits of having a formal Payroll Policy and Procedures in due course. Finance and HR will be working together as a joint project. **Responsible Official:** HR/Finance Managers **Implementation Date:** 1 July 2016

3.2 Medium Risk Findings

Finding	Risk/Impact	Recommendation	Management Comment
		• Superannuation processing and payment • Leave accruing for large leave balances • Manual payroll process e.g. for contract or part time staff This document should be reviewed and approved by management and then communicated to all relevant staff.	
3.2.2 Inadequate exception reporting and review			
During our review we were informed by the Payroll Officer that that is no exception reporting procedures in place that is able to detect and record changes to the payroll data that may be classified as out of the ordinary. Furthermore, at the time of the review, we noted there is no report printed from Authority that showed the changes to employee master data.	• Management do not have oversight on any anomalies that may occur during the payroll process. • Unauthorised changes may go undetected.	Management should establish a requirement for exception reports for all payroll activities to be generated and reviewed by relevant staff. The report should be generated on an exception basis in order to detect any unusual activity in payroll. Any reconciliation, exception review, payment authorisation, manual payment processing, or	**Management Action:** Management will explore the production of an exception reporting with software vendor despite systems limitation and cost/value benefits. All changes and additions to the Masterfile will now be reviewed and processed by HR. In addition, the Finance Manager will review all reconciliations and any pay with more than 10% variance against normal pay.

3.2 Medium Risk Findings

Finding	Risk/Impact	Recommendation	Management Comment
		report that involves critical decision making should always be reviewed and signed off by the authorised reviewer upon completion of the review. To further strengthen the review process, an independent review should in place during the payroll process to ensure that all data has been correctly transmitted from the timesheets to the Authority Payroll module. Employee master data exception report should be generated and reviewed by a staff member not responsible for entering / amending employee data in Authority. The report should only highlight changes to critical fields.	**Responsible Official:** Director of Corporate Strategy **Implementation Date:** 1 October 2015

3.2 Medium Risk Findings

Finding	Risk/Impact	Recommendation	Management Comment
3.2.3 Pay Code Creation Sheet not Password Protected			
From the review of salary adjustment and remuneration, we noted that an MS Excel spreadsheet is used to calculate the employee's pay rates and embedded into a unique pay code that is entered into Authority by the Payroll Officer. This spreadsheet which contains individual employee pay rate information is not password protected and it is stored in the Finance folder in Sharepoint is accessible by all Finance staff. We were informed by the Payroll Officer that the current procedures for setting up the unique pay codes for employees is outside of the Authority System; they were informed by the previous Officer that this was the historical process; the Payroll Officer currently does not know whether the process can be automated within Authority.	• Unauthorised changes to employee pay codes; • Financial loss due to manipulation of employee pay codes; • Increase risk of human errors during data entry that may impact data integrity.	Management should work with the Authority vendors in establishing a function within Authority which will assist in the setting up and amendment of employee pay codes. Should there be a limitation to the system; management should implementing a password requirement for the spreadsheet as a compensating control to mitigate the risks associated with data integrity and confidentiality.	**Management Action:** Management has implemented a password requirement for the spreadsheet. Audit recommendation in establishing a function in Authority which will assist in the setting up and amendment of employee pay codes has merit and this will also be taken up with the software vendor. **Responsible Official:** IT Coordinator and Finance Manager **Implementation Date:** 1 October 2015

3.3 Low Risk Findings

No low risk findings noted.

4. Improvement Opportunities

No improvement opportunities noted.

5. KEY ENGAGEMENT DETAILS & TIMINGS

Key engagement details

Date Final Report Issued	**29 January 2016**
Review Period Covered	1 April 2014 – 31 March 2015
BDO Engagement Principal	Andrew Hillbeck
Report to be issued to Client Sponsor	Michael Cole

Key engagement timings

Key Events	Expected Date	Actual Date	Comments on Variations
Planning Meeting	-	-	
Fieldwork commencement	4/05/2015	7/05/2015	
Fieldwork completion	7/05/2015	11/05/2015	
Close out meeting	15/05/2015	25/08/2015	
Draft report sent	20/05/2015	17/08/2015	
Management Comments Received	27/05/2015	30/11/2015	
Final report issued	29/05/2015	29/01/2016	

Engagement participants

Name	Title
City of Nedlands	
Michael Cole	Director of Corporate Strategy
Rajah Senathirajah	Finance Adviser
Kim Chua	Manager Finance
Dimple Kaur	Payroll Officer
BDO	
Andrew Hillbeck	Principal
Lih Ling Ma	Senior Manager
Luiz Salgueiro	Manager
Jordan Chang	Consultant

6. RISK RATINGS

Overall report rating

Ratings awarded represent the conclusion of our audit based on the results of the audit of a process or audit area. The control environment has been rated using the following criteria. These were agreed with management before the engagement commenced.

Rating	Definition
Weak	No control framework in place. Significant control weaknesses were noted which have resulted in a material exposure. No compensating controls in place to mitigate the identified risks.
Marginal	Limited control framework in place. Significant control weakness were noted which, if not addressed, may result in a material exposure.
Satisfactory	Overall a control framework is in place. Some improvements identified which would further strengthen the control environment.
Good	Strong control environment in place and operating effectively (subject to limitations of sampling).

Rating individual findings

The following framework for audit ratings has been developed in order to prioritise the internal audit findings according to their relative significance, depending on their impact on a process. The individual audit findings contained in this report have been discussed and rated with management.

Rating	Definition
High	Issue represents a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives.
Medium	Issue represents a control weakness which could have or is having a significant adverse effect on the ability to achieve process objectives.
Low	Issue represents a minor control weakness with minimal but reportable impact on the ability to achieve process objectives.
Observations	Issue represents an opportunity for management to consider in order to improve the effectiveness of the control environment.

7.   INHERENT LIMITATIONS

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure within which the control procedures that are subject to internal audit operate is not reviewed in its entirety and, therefore, no opinion or view is expressed as to the effectiveness of the greater internal control structure. An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are done on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this internal audit report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, client management and personnel. We have indicated within this internal audit report the sources of the information provided. We have not sought to verify those sources independently unless otherwise noted within the internal audit report. We are under no obligation in any circumstance to update this internal audit report, in either oral or written form, for events occurring after the internal audit report has been issued in final form unless specifically agreed with management.

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7.5   CITY OF NEDLANDS PLANNING SERVICES FINAL REPORT

Background

BDO Audit (WA) Pty Ltd are the City's appointed Internal Auditors.

As part of the Internal Audit plan, BDO Audit (WA) Pty Ltd conducted a Planning Services Review.

The review included Development Applications for the period 1 August 2014 to 31 July 2015.

The scope of the review was:

- Planning rates and Heritage Inventory maintenance;
- Planning application and decision record maintenance;
- Planning application and approval process;
- Handling of dispute, objection and refusal of application;
- Planning management reporting and communication;
- Planning services policy and procedures.

The Planning Services Review is presented to the Audit and Risk Committee for their information.

Attachment

1. City of Nedlands Planning Services Final Report

29 January 2016

Mr Peter Mickleson & Michael Cole
Director of Planning Services & Director of Corporate & Strategy
City of Nedlands
71 Stirling Highway

Nedlands WA 6009

Dear Peter and Michael,

City of Nedlands ("the City") – Planning Services Review

We write to advise you of the completion of our review of the City of Nedlands' (the City) planning services processes. This review has been conducted in accordance with our agreed Terms of Reference dated 13 August 2015. We now enclose our report which details the findings arising from the review.

Should you have any queries in relation to this report please contact either myself on (08) 6382 4750 or Luiz Salgueiro on (08) 6382 4803.

Yours faithfully,
BDO Advisory Pty Ltd
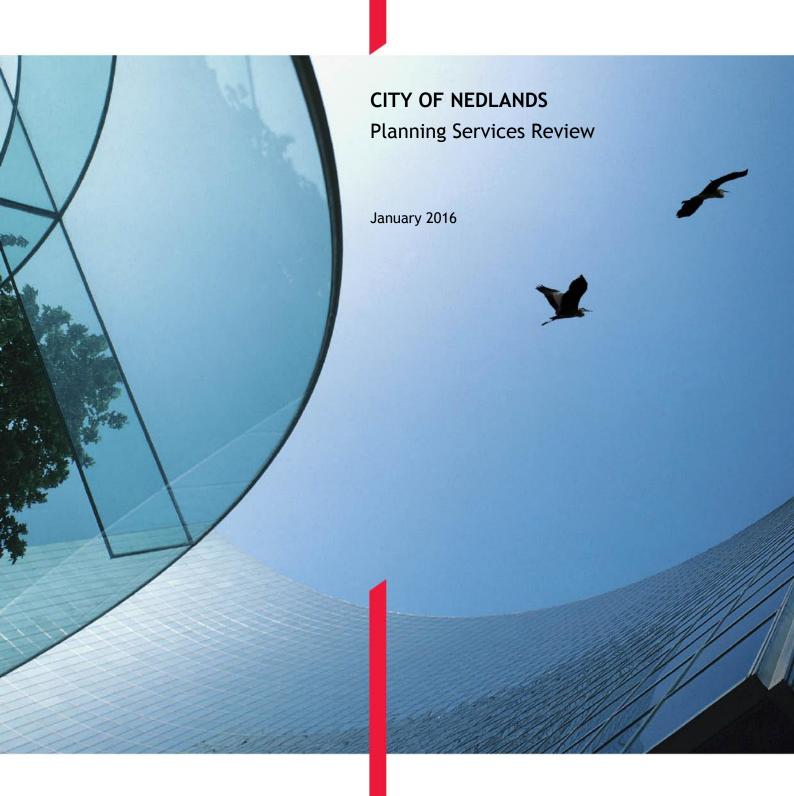

Andrew Hillbeck

Principal

Encl.

CITY OF NEDLANDS
Planning Services Review

January 2016

BDO

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1. EXECUTIVE SUMMARY

1.1 Context

In accordance with the 2015/16 Internal Audit Annual Plan, a Planning Services Review was undertaken.

The City of Nedlands (the City) Planning Services is responsible for the land use planning and land development matters. At the City, Planning Services is divided into two main areas:

- Strategic planning - deals with the documents and initiatives to guide future development throughout the City, with a focus on neighbourhoods, public spaces, streets and precincts
- Statutory planning - assesses and determines Development Applications (DAs) in accordance with the existing planning framework and provides advice with regard to development enquiries. Statutory officers also complete subdivision referrals from the WA Planning Commission.

Planning Services consists of a Planning Manager, eight Planners and an Administrative Assistant. The team is reports to the Director of Planning and Development. The Authority system is used to support processing development applications. From March 2014, the documents related to planning services have been maintained in Sharepoint (previously TRIM) and the Records Department. Reporting of applications submitted and processed to Executive Management by Planning Services is performed on monthly using Word.

Our review included Development Applications for the period 1 August 2014 to 31 July 2015. The scope of the review was:

- Planning rates and Heritage Inventory maintenance;
- Planning application and decision record maintenance;
- Planning application and approval process;
- Handling of dispute, objection and refusal of application;
- Planning management reporting and communication;
- Planning services policy and procedures.

1.2 Conclusion

Our review of the City Planning Services processes has resulted in a rating for our internal audit of this area of activity as "**Satisfactory**". This is the second highest on a four scale rating, being "good" at the top, "satisfactory", "marginal" and "weak" at the bottom. The internal audit ratings are defined in Section 6 of this report.

The "Satisfactory" rating resulting from this review is reflective of the results identified from our testing and arising from our consultations with key personnel. These findings are summarised below.

1.3   Summary of key findings

Our review identified four 'Low' rated findings and one 'Improvement Opportunity'. These are summarised in Table 1 below. The findings are further explained in Section 3 of this report.

Table 1: Summary of key findings	
Reference	**Findings**
'Low' Rated Findings	
3.3.1	**Inconsistencies in the Development Application (DA) assessments** - 1 out of 20 sampled DA assessment sheets was not completed. A file memo was produced instead. - 4 out of 20 sampled DA assessment sheets did not have any sign off from the Assessing Officer. - Storage of documents and information repository are varied. Hardcopy is stored with the Records Department and electronic copies are stored in TRIM or Sharepoint.
3.3.2	**Town Planning Scheme No. 2 (TPS 2) and Municipal Heritage Inventory 1999 updates** We identified that these are key documents for local government regulatory requirements and have not been updated.
3.3.3	**Enhancements for policies and procedures** We observed that current procedure for the DA Assessment does not reflect the current activities relating to completion of assessment documents and final uploads with Sharepoint.
3.3.4	**Maintenance of the DA decisions register** We identified that 3 out of 20 sampled Development Applications were not documented in the DA decisions register: - DA15/110 - DA15/133 - DA15/204

1.4   Acknowledgement

We thank the staff at the City of Nedlands for their support and assistance to us in executing this review.

2.   AUDIT APPROACH

2.1   Objectives of Review

The objective of this review was to assess the:

- Adequacy of management control framework relating to Planning Services
- Appropriate management arrangements for the delivery of the City's Planning Services
- Extent to which the City is complying with key legislatives, planning scheme, policies, procedures, guidelines, and other requirements in providing planning services.

2.2   Scope of Review

The following areas were covered as part of the review:

- Planning rate and Heritage Inventory maintenance
- Planning application and decision record maintenance
- Planning application and approval process
- Handling of dispute, objection and refusal of application
- Planning management reporting and communication
- Planning services policy and procedures.

2.3   Exclusions

The following areas were considered to be out of scope:

- Building Services
- Detailed testing on amendments made to Town Planning Scheme 2 (TPS 2) was not performed due to the low frequency of occurrence (once a year) and no new request for amendments are being accepted because the new Local Planning Strategy and Town Planning Scheme 3 (TPS 3) is in the process of being drafted
- Detailed testing on amendments made to the Municipal Heritage Inventory 1999 as it has been periodically reviewed by the Strategic Planning team as per the Act but not adopted by the Council.

2.4   Approach

In executing this review, we:

Obtained an understanding of individual systems and processes and their relationships with the wider internal control environment

- We held discussions with staff in order to gain an understanding of the key planning services processes and staff roles and responsibilities.

Identified and prioritised risks and controls

- We identified and prioritised the key risks that are inherent within the planning services processes. Thereafter, we identified the key controls that management have developed and implemented to manage these risks.

Performed walkthrough and substantive tests

- We carried out a combination of walkthrough and substantive testing procedures to observe and validate the controls described to us by staff. These procedures took the form of discussions, observation and sample testing.

Reported our findings and associated recommendations

- Upon conclusion of the fieldwork activities, we conducted a closeout meeting with management to discuss the results of the fieldwork activities.
- We then prepared a draft report highlighting key findings from our fieldwork and recommendations to address the identified control weaknesses. Thereafter, we issued the draft report to management to validate the accuracy of the findings and to ensure that all recommendations are practical in nature and appropriate in purpose.
- Upon receipt of the management comments in relation to our findings, we finalised our report for distribution.

3. DETAILED FINDINGS

3.1 Low Risk Findings

Finding	Risk	Recommendation	Management Comment
3.1.1 Inconsistencies in the Development Application (DA) assessments			
Based on our sample testing of the DA assessments, we identified the following exceptions: • 1 out of 20 sampled DA assessment sheets was not completed. A file memo was produced instead • 4 out of 20 sampled DA assessment sheets did not have any sign off from the Assessing Officer • Storage of documents and information repository are varied. Hardcopy is stored with the Records Department and electronic copies are stored in TRIM or SharePoint.	• Applications are not assessed in accordance to the established policies and procedures and the Planning and Development Act. • Lack of accountability by the Assessing Officer when performing the assessment. • Loss of hardcopy documents due to environmental damage.	Management to establish the following: • Develop a completion checklist • Establish training or retraining of staff • Perform regular spot checks of the DA documentation • Work with the Records Department to ensure all hardcopy documents are uploaded into SharePoint.	**Management Action:** As per the recommendation although we have doubts about the effectiveness of yet another checklist. Training and re-training of staff will be undertaken. We will implement a quarterly check of a random selection of 20 DAs to check for inconsistencies. Planning staff will continue to liaise with Records staff to ensure relevant documents are uploaded into SharePoint. **Responsible Official:** Manager Planning **Implementation Date:** 30 June 2016

Finding	Risk	Recommendation	Management Comment
3.1.2 Town Planning Scheme No. 2 (TPS 2) and Municipal Heritage Inventory 1999 updates			
The Planning and Development Act 2005 requires the TPS to be reviewed every 5 years and the Heritage of Western Australia Act 1990 requires the Municipal Heritage Register to be reviewed and updated every 5 years. We were informed that due to changes in legislation and delays by the Council to action any changes are the main factors for the out of date documents. During our review, we found that TPS 2 was originally implemented in 1985 with amendments being made up to May 2015. We understand that TPS 3 is being developed at the time of the review. The current Municipal Heritage Inventory adopted by the City is from 1999 and multiple reviews have been performed as per Section 45 of the Heritage of Western Australia Act 1990. However, these updates have not been adopted by the Council.	• TPS does not meet current legislative requirements and planning strategies • Sites listed on the Heritage Inventory listing no longer exist or sites which are important to the area are not included in the listing.	• Management should perform actions to draft TPS 3 and ensure that all current legislative requirements are met, advertise for public consultation and submitted to council for approval. • Council to approve updated Municipal Heritage Inventory.	**Management Action:** As per the recommendation. Council is aware of the request to review the TPS (which includes the Heritage Inventory) and has it as a top priority. **Responsible Official:** Director Planning and Development **Implementation Date:** To be advised – depends on the WA Planning Commission.

Finding	Risk	Recommendation	Management Comment
3.1.3 Enhancements for policies and procedures			
We examined the DA Assessment procedure and found that it is out of date. In addition, as part of our assessment we observed that it does not reflect the current activities regarding completion of assessment documents and final uploads with Sharepoint. Finally we noted that there is no procedure for amendments made to the TPS and Heritage Inventory.	• Staff perform duties based on outdated procedures resulting in an incorrect assessment • Staff are unaware of established procedures resulting in inconsistent practices and errors.	Management to perform the following: • Update outdated procedural documents to reflect current legislative requirements and internal practices. • Document procedures for amendments to TPS and Heritage Inventory listing. • Communicate procedures to relevant staff and make it available on the intranet.	**Management Action:** The legislation and regulations already set out the procedure for amending the TPS so it is not necessary to also document them internally. However we agree that an internal procedure should be set up for the administration process for making amendments to the current TPS. **Responsible Official:** Manager Planning **Implementation Date:** 30 June 2016
3.1.4 Maintenance of the DA decisions register			
Following our review of the DA decisions register, we found that 3 out of 20 sampled Development Applications were not documented in the register: - DA15/110 - DA15/133 - DA15/204	Unauthorised approval or rejection of a DA is made and not recorded in the decisions register.	Management to ensure that this step is included when developing the completion checklist which is kept with other DA documentation.	**Management Action:** Will add an extra column to the current spreadsheet so the DA number can be added. **Responsible Official:** Manager Planning **Implementation Date:** 30 June 2016

4.   IMPROVEMENT OPPORTUNITIES

Finding	Recommendation	Management Comment
4.1 Use the DA number as a primary key for Decisions Register		
We found that the Decisions Register uses the address of where the development is occurring as the reference point. The issue which may arise is if more than one development application relating to the property arises in the same period, there may be confusion on which delegation of authority entry it relates to.	We recommend management use the (unique) DA application number as the reference point / primary key to locate decisions.	**Management Action:** Agree with recommendation. **Responsible Official:** Manager Planning **Implementation Date:** 30 June 2016

5. KEY ENGAGEMENT DETAILS & TIMINGS

Key engagement details

Date Final Report Issued	**28 January 2016**
Review Period Covered	1 August 2014 – 31 July 2015
BDO Engagement Principal	Andrew Hillbeck
Draft Report to be issued to Client Sponsor	Peter Mickleson Michael Cole

Key engagement timings

Key Events	Expected Date	Actual Date	Comments on Variations
Planning Meeting	06/7/2015	06/07/2015	
Fieldwork commencement	13/07/2015	27/07/2015	Delayed due to availability of key staff members
Fieldwork completion	17/07/2015	19/08/2015	Delayed due to availability of key staff members
Close out meeting	22/07/2015	02/12/2015	
Draft report sent	22/07/2015	25/11/2015	
Management Comments Received	31/07/2015	25/01/2016	
Final report issued	03/08/2015	28/01/2016	

Engagement participants

Name	Title
City of Nedlands	
Jennifer Heyes	Manager – Planning
Julian Berzins	Statutory Planning Officer
Jacqueline Kirchlechner	Graduate Statutory Planning Officer
Aron Holbrook	Coordinator Strategic Planning
Christie Downie	Senior Strategic Planning Officer
Emma van der Linden	Strategic Planning Officer
Peter Mickleson	Director – Planning & Development
Michael Cole	Director – Corporate & Strategy
BDO	
Andrew Hillbeck	Principal
Luiz Salgueiro	Manager
Ridzwan Mahdi	Senior Consultant

6. RISK RATINGS

Overall report rating

Ratings awarded represent the conclusion of our audit based on the results of the audit of a process or audit area. The control environment has been rated using the following criteria. These were agreed with management before the engagement commenced.

Rating	Definition
Weak	No control framework in place. Significant control weaknesses were noted which have resulted in a material exposure. No compensating controls in place to mitigate the identified risks.
Marginal	Limited control framework in place. Significant control weaknesses were noted which, if not addressed, may result in a material exposure.
Satisfactory	Overall a control framework is in place. Some improvements identified which would further strengthen the control environment.
Good	Strong control environment in place and operating effectively (subject to limitations of sampling).

Rating individual findings

The following framework for audit ratings has been developed in order to prioritise the internal audit findings according to their relative significance, depending on their impact on a process. The individual audit findings contained in this report have been discussed and rated with management.

Rating	Definition
High	Issue represents a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives.
Medium	Issue represents a control weakness which could have or is having a significant adverse effect on the ability to achieve process objectives.
Low	Issue represents a minor control weakness with minimal but reportable impact on the ability to achieve process objectives.
Observations	Issue represents an opportunity for management to consider in order to improve the effectiveness of the control environment.

7. INHERENT LIMITATIONS

Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure within which the control procedures that are subject to internal audit operate is not reviewed in its entirety and, therefore, no opinion or view is expressed as to the effectiveness of the greater internal control structure. An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are done on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this internal audit report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, client management and personnel. We have indicated within this internal audit report the sources of the information provided. We have not sought to verify those sources independently unless otherwise noted within the internal audit report. We are under no obligation in any circumstance to update this internal audit report, in either oral or written form, for events occurring after the internal audit report has been issued in final form unless specifically agreed with management.

8. RESTRICTION OF USE

This report is intended solely for the use of management, the City of Nedlands Council, the external auditors, regulatory agencies or the City's legal counsel and cannot be used by, circulated, quoted, disclosed, or distributed to third parties without BDO's prior written consent.

Date of next meeting

To be advised.

Declaration of Closure

There being no further business, the Presiding Member will declare the meeting closed.

Greg Trevaskis
Chief Executive Officer