



**CITY OF VINCENT**

# **MINUTES**

**Audit Committee**

**1 December 2020**

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**MINUTES OF CITY OF VINCENT  
AUDIT COMMITTEE  
HELD AT THE E-MEETING AND ADMINISTRATION AND CIVIC CENTRE  
244 VINCENT STREET, LEEDERVILLE  
ON TUESDAY, 1 DECEMBER 2020 AT**

<b>PRESENT:</b>	<b>Mr Conley Manifis</b>	<b>Independent External Member (Chair)</b>
	<b>Mr Robert Piper</b>	<b>Independent External Member</b>
	<b>Mr Aaron Smith</b>	<b>Independent External Member</b>
	<b>Cr Dan Loden</b>	<b>North Ward (left at 2.34pm during Item 5.3)</b>
	<b>Cr Ashley Wallace</b>	<b>South Ward</b>
	<b>Cr Susan Gontaszewski</b>	<b>South Ward</b>
<b>IN ATTENDANCE:</b>	<b>David MacLennan</b>	<b>Chief Executive Officer</b>
	<b>Virginia Miltrup</b>	<b>Executive Director Community &amp; Business Services</b>
	<b>Vanisha Govender</b>	<b>Executive Manager Financial Services</b>
	<b>Meluka Bancroft</b>	<b>Executive Manager Corporate Strategy &amp; Governance</b>
	<b>Nirav Shah</b>	<b>Coordinator Financial Services</b>
	<b>Peter Ferguson</b>	<b>Executive Manager ICT (for Items 5.4 and 5.6)</b>
	<b>Mark Ambrose</b>	<b>Senior Director, Office of the Auditor General (for Item 5.3)</b>
	<b>Jeff Sweetham</b>	<b>Audit Manager, Office of the Auditor General (for Item 5.3)</b>
	<b>Kerry Flynn</b>	<b>Audit Manager, Stantons International (for Item 5.1)</b>
	<b>Wendy Barnard</b>	<b>Council Liaison Officer</b>

## **1 INTRODUCTION AND WELCOME**

The Presiding Member, Conley Manifis, declared the meeting open at 2.04pm and read the following Acknowledgement of Country statement:

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

## **2 APOLOGIES / MEMBERS ON APPROVED LEAVE OF ABSENCE**

Cr Joshua Topelberg was an apology at this meeting.

## **3 DECLARATIONS OF INTEREST**

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

**4 CONFIRMATION OF MINUTES**

**COMMITTEE DECISION**

**Moved: Mr Piper, Seconded: Cr Gontaszewski**

**That the minutes of the Audit Committee held on 20 October 2020 be confirmed.**

**CARRIED UNANIMOUSLY (6-0)**




**For:** Mr Manifis, Cr Loden, Cr Wallace, Mr Piper, Cr Gontaszewski and Mr Smith

**Against:** Nil

**(Cr Topelberg was an apology for the Meeting.)**

## 5 BUSINESS ARISING

### 5.3 AUDITED FINANCIAL STATEMENTS AND MANAGEMENT LETTERS FOR YEAR ENDED 30 JUNE 2020

- Attachments:
1. Audit Management Letter - Financial Audit [↓](#) 
  2. Audit Management Letter - Information Systems [↓](#) 
  3. Annual Financial Audit - Exit brief [↓](#) 
  4. Auditor's Opinion [↓](#) 
  5. Financial Statements as at 30 June 2020 [↓](#) 

#### RECOMMENDATION:

That the Audit Committee:

1. RECEIVES the Auditor's management letters (Financial Audit and Information System Audit) and exit brief, prepared for the year ending 30 June 2020 at Attachments 1, 2 and 3;
2. RECEIVES the Audit Opinion (unsigned) for the year ended 30 June 2020 at Attachment 4;
3. RECEIVES the Audited Annual Financial Statements for the year ended 30 June 2020 at Attachment 5; and
4. RECOMMENDS to Council the adoption of the Audited Annual Financial Statements for the year ended 30 June 2020.

Moved: Cr Gontaszewski, Seconded: Cr Wallace

That the recommendation be adopted.

#### AMENDMENT 1

Moved: Cr Gontaszewski, Seconded: Mr Smith

That the recommendation be amended as follows:

5. **REQUESTS the Chief Executive Officer to prepare a report for a Budget Workshop on improvements to the City's own source revenue coverage and operating surplus ratios as part of the 2021 budget process.**

**AMENDMENT CARRIED (5-0)**

**For:** Mr Manifis, Cr Wallace, Mr Piper, Cr Gontaszewski and Mr Smith

**Against:** Nil

(Cr Topelberg was an apology for the Meeting.)

(Cr Loden was an apology for this Vote.)

#### AMENDMENT 2

Moved: Mr Piper, Seconded: Cr Gontaszewski

That the recommendation be amended as follows:

**6. RECOMMENDS that Council note the 7 significant findings in the Financial Audit.****AMENDMENT CARRIED (5-0)**

**For:** Mr Manifis, Cr Wallace, Mr Piper, Cr Gontaszewski and Mr Smith

**Against:** Nil

(Cr Topelberg was an apology for the Meeting.)

(Cr Loden was an apology for this Vote.)

**AMENDMENT 3**

**Moved: Mr Piper, Seconded: Cr Gontaszewski**

That recommendation 4 be amended to include the following:

4. **RECOMMENDS to Council the adoption of the Audited Annual Financial Statements for the year ended 30 June 2020, subject to the finalisation of the Mindarie Regional Council financial statements, in consultation with Audit Committee members;**

**COMMITTEE DECISION ITEM 5.3**

That the Audit Committee:

1. **RECEIVES the Auditor's management letters (Financial Audit and Information System Audit) and exit brief, prepared for the year ending 30 June 2020 at Attachments 1, 2 and 3;**
2. **RECEIVES the Audit Opinion (unsigned) for the year ended 30 June 2020 at Attachment 4;**
3. **RECEIVES the Audited Annual Financial Statements for the year ended 30 June 2020 at Attachment 5;**
4. **RECOMMENDS to Council the adoption of the Audited Annual Financial Statements for the year ended 30 June 2020, subject to the finalisation of the Mindarie Regional Council financial statements, in consultation with Audit Committee members;**
5. **REQUESTS the CEO to prepare a report for a Budget Workshop to the City's own source revenue coverage ratios and operating surplus as part of the 2021 budget process; and**
6. **RECOMMENDS that Council note the 7 significant findings in the Financial Audit.**

**CARRIED UNANIMOUSLY (5-0)**

**For:** Mr Manifis, Cr Wallace, Mr Piper, Cr Gontaszewski and Mr Smith

**Against:** Nil

(Cr Topelberg was an apology for the Meeting.)

(Cr Loden was an apology for this Vote.)

At 2.34pm Cr Dan Loden left the meeting.

## ATTACHMENT A

## CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Findings identified in the current audit</b>			
1. Access levels within Authority	✓		
2. Evidence of review of changes to employee masterfile	✓		
3. Classification of cash and cash equivalents	✓		
4. Accounting for NIB stadium	✓		
5. Adverse trends in financial ratios	✓		
6. Periodic cleansing of the supplier masterfile		✓	
7. Timing of monthly reconciliations		✓	
8. Quotations – minimum number not obtained		✓	
9. Inconsistent process for daily takings			✓

**KEY TO RATINGS**

The ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

## ATTACHMENT A

## CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE AUDIT

## 1. Access levels within Authority

**Finding**

Similar to our information systems audit findings titled Segregation of Duties and Authority User Review Process, we noted numerous users with access to modules within Authority which appear to not be required to undertake their role within the City.

Specific modules which we reviewed were:

- Accounts payable (supplier masterfile, invoice entry and credit note entry)
- Accounts receivable (debtor masterfile, invoice entry and credit note entry)
- Assets (asset masterfile)
- Payroll (employee maintenance masterfile)

In some instances the City does have mitigating controls in place, however these controls are generally of a manual and detective nature.

**Rating: Significant Implication**

Excessive user access to the accounting package may allow staff to use the system inappropriately. For example, this access could be used to undermine the effectiveness of system controls (such as segregation of duties) and diminish accountability.

Additionally, this weakness in financial controls is considered a matter of material non-compliance and impacts on the audit opinion for the current year. The following will be included under our report on other legal and regulatory compliance:

"Access controls over a key system of the City were inadequate to enforce adequate segregation of duties. This could lead to inappropriate use of the systems, however our audit testing did not identify any inappropriate use."

**Recommendation**

Management should conduct a thorough user access review in consultation with its IT support with a view to restricting user access to the required and appropriate level of authority or delegation.

**Management comment**

The City accepts Finding 1. In response to this finding, the City has commissioned a project with Civica (vendor for Authority software) to provide 'Authority User Access and Security Restructure'. The overall objectives of the project are to provide:

- A structured, consistent and more easily understood Authority security model
- Better visibility of user access and permissions
- Simpler administrative management control of users and permissions

The project has been estimated to run for 8 – 10 weeks. The City is reviewing scheduling with Civica given several other Authority changes already in motion, in particular the software upgrade from version 6.11 to 7.1. If Civica is not able to commit additional resources to this project in early 2021, completion will be aligned to 7.1 go live in August 2021.

**Responsible person:** Executive Manager ICT

**Completion date:** August 2020



## ATTACHMENT A

## CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE AUDIT

## 2. Evidence of review of changes to employee masterfile

**Finding**

We note the City does not have a process to evidence independent review and authorisation of changes made to the employee masterfile.

**Rating: Significant****Implication**

The absence of an independent review of changes made to the employee masterfile increases the risk of unauthorised or erroneous changes to key information.

Additionally, this weakness in financial controls is considered a matter of material non-compliance and impacts on the audit opinion for the current year. The following will be included under our report on other legal and regulatory compliance:

"No evidence was retained to demonstrate whether changes to the employee master file, including bank account details, were being authorised by an officer other than the person making the amendment. This increases the risk that authorised changes may be made, resulting in errors or funds being inappropriately transferred. Our audit did not identify any instance of unauthorised changes."

**Recommendation**

Management should implement a process for an independent review of changes to the employee masterfile.

**Management comment**

Currently changes to the employee master file are checked by the Payroll Officer/Payroll Support Officer, however not recorded. Based on changes to the employee master file, Human Resources/Payroll will implement the following:

1. A change of bank details and superannuation form.
2. All changes to employee master file are requested via a form or letter pertaining to a change of employee entitlements. These forms/letters are added to Content Manager (records system) and work-flowed to the applicable Payroll Officer/Support Officer depending on portfolio.

Once adjustments are made to the employee master file based on the form/letter, the Payroll Officer changes the workflow item from 'action' to 'completed'. The Payroll Officer will then workflow the form/letter to the other Payroll representative in Content Manager for review. The Payroll representative will review and if approved, change the workflow from 'review' to 'completed'.

Each time a form/letter is added to Content Manager, an audit trail will be created of when an item is 'completed' and 'reviewed'.

**Responsible person:** Executive Manager HR

**Completion date:** 1. 30 December 2020  
2. 31 January 2021

## ATTACHMENT A

## CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE AUDIT

## 3. Classification of cash and cash equivalents

**Finding**

We noted the City originally classified all of their term deposits with original maturities of over three months as cash and cash equivalents for the year ended 30 June 2020. The City did not classify their term deposits in line with the guidance provided in AASB 107 Statement of Cash Flows, which states an "investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition"

**Rating: Significant Implication**

The incorrect classification between cash and cash equivalents and other financial assets can lead to a material misstatement within the financial statements, and non-compliance with the accounting standards. If a material error exists and remains uncorrected this would lead to a modified audit opinion.

**Recommendation**

Management should:

- i) Undertake a review of their term deposits and ensure where applicable term deposits are correctly classified within the financial statements.
- ii) Consider and quantify the impact of the incorrect classification for the year ended 30 June 2019 and where material, restate the prior year comparative.
- iii) Implement a process to ensure accurate classification of terms deposits in the future.

**Management comment**

Management has updated the 2019/2020 financial statements and restated the prior year financials in accordance with the Accounting Standards as per recommendation 1 and 2. Administration understands that the Accounting Standards require investments with maturities greater than 3 months to be disclosed separately as financial assets. This will be continuously assessed and actioned appropriately going forward.

However, given that this is a disclosure requirement as per the Accounting Standards and there were no audit issues or misstatements relating to the cash and cash equivalents or financial assets processes, Administration do not agree this should be a significant finding. Furthermore, the inherent and control risk with this finding is minimal.

**Responsible person:** Executive Manager Financial Services

**Completion date:** Actioned

**Auditor's conclusion**

We acknowledge management's comment regarding the significant rating, however if this was not corrected in the current year this would lead to a material error within the financial statements which would result in a modified opinion being issued therefore this finding is classified as significant.

## ATTACHMENT A

## CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE AUDIT

## 4. Accounting for NIB Stadium

**Finding**

From our review of plant and equipment, we identified that the City has not depreciated the capitalised redevelopment works undertaken by VenuesWest at NIB Stadium, which is on land owned by the City and leased to VenuesWest.

AASB 116 Property Plant and Equipment (AASB 116) requires assets to be depreciated over their useful life. The City was unable to provide sufficient evidence to justify non-compliance with the requirements of the accounting standards.

**Rating: Significant Implication**

Non-compliance with AASB 116 requirements results in understated depreciation expense and an overstated carrying amount for this asset within the financial statements. The amounts in relation to NIB Stadium are material, and if uncorrected will lead to a modified audit opinion.

**Recommendation**

The City should review the requirements of AASB 116 and quantify the depreciation expense since the last revaluation of NIB stadium, and determine the impact on the financial statements, if material, the correction made as a prior period error in accordance with the standard.

**Management comment**

In 2012 the City leased NIB stadium to Venue West for 25 years who undertook significant improvements to the facility in 2013/2014 in excess of \$80million. The lessee has full control of the asset while the City owned the property and receives minimum benefit from this asset. Consequently in 2017, the City's then auditors Moore Stephens had agreed to stop the depreciation for NIB stadium, as indicated on note 40 of the 2017 Annual Financial Statement and also brought in the fair value of NIB stadium into the financial statements.

However, given that the City owns this asset depreciation should have been charged and therefore AASB 116 will be applicable. The previous auditors were unable to justify why the depreciation was curtailed and as such Administration has reinstated the depreciation from 2018.

This reinstatement is going to have a significant impact on the City's financial performance as depreciation for NIB Stadium will amount to approximately \$2million per annum. The City's financial ratios, namely asset sustainability and operating surplus ratios will be negatively impacted as a result of the restatement.

**Responsible person:** Executive Manager Financial Services

**Completion date:** Actioned

## ATTACHMENT A

## CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE AUDIT

## 5. Adverse trends in financial ratios

**Finding**

During our audit we noted the adverse trends in the following ratios when considering the basic standard set by Department of Local Government, Sport and Cultural Industries ("the department"):

Below the basic requirements for 3 years:

- Asset sustainability
- Operating surplus

Below the basic requirement and below proceeding two years actual result:

- Debt service cover

**Rating: Significant Implication**

Ratios which are below the basic standards as determined by the Department indicate the short-term financial performance of the City is likely unsustainable.

Additionally, in accordance with the *Local Government (Audit) Regulations 1996* ratios with adverse trends will be reported within the audit opinion.

**Recommendation**

Management should implement measures to ensure the basic requirements are achieved, where the requirements are not able to be achieved plans for correction action should be made.

**Management comment**

1. Debt Service Ratio – As a result of the once-off contractual balloon payment of \$5.3m for the DLGSC loan, this ratio has been skewed only for the 2019/2020 financial year. The Debt service ratio is expected to normalise for the following years as per the City's current debt portfolio.

2. Operating Surplus - In order to improve this ratio, new funding sources has to be looked at and also the current fees and charges (including rates) need to be analysed to determine if they are sufficient. Strategies will also be developed to improve this ratio when preparing the 2021/2022 - 2030/2031 LTFP.

3. Asset Sustainability Ratio – The asset sustainability ratio has improved compared to last year from 0.30 to 0.45 This is an indicator that administration has focused their attention on ensuring capital spend is focused on renewal instead of new expenditure. The City has implemented the following initiatives since last year:

- Made a concerted effort on spending on renewal instead of new;
- Prepared a 4-year capital works program 2020/21-2023/24;
- The City's Asset Management Strategy is in the process of being finalised; and
- Adopted the 2020/21-2029/30 LTFP which reflects the projected asset sustainability ratio will reach the benchmark ratio by 2024/25.

The following will be the action plans for this year:

- Adopting the new asset management strategy;

## ATTACHMENT A

## CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE AUDIT

- Updating and aligning the asset management plans to the asset management strategy; and
- Updating and preparing the LTFP for 2021/22-2030/31 by incorporating the additional depreciation of NIB stadium into the asset sustainability ratio and revising strategies to attain the benchmark ratio.

Department of Local Government Sport and Cultural Industries is in the process of reviewing the current local government ratios as part of the Local Govt Act Reform and some of the benchmarks will be reviewed to be aligned based on the size of the Local Government.

**Responsible person:** 1&2 – Executive Financial Services Manager  
3 – Executive Director Infrastructure and Environment

**Completion date:** 1 – Actioned  
2 – 30 June 2021  
3 – 30 June 2021

## ATTACHMENT A

## CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE AUDIT

**6. Periodic cleansing of the supplier masterfile****Finding**

During our audit, we identified that there were several old and outdated supplier records. The City of Vincent does not have a formalised process to periodically review its supplier master file to remove/deactivate old, unused or duplicate supplier records.

The supplier master file is a comprehensive file in the financial system which stores key information about suppliers for processing payments to suppliers, including information on bank accounts and addresses.

**Rating: Moderate****Implication**

The presence of old and unused supplier records increases the risk of duplicate records which also increases the risk of duplicate payments being made. It also increases the risk of fraud, as the unused records can be modified and used to make unauthorised payments.

**Recommendation**

Management should perform a periodic review of the supplier master file to remove/deactivate inactive, old, unused or duplicate records.

**Management comment**

A detailed process will be developed to ensure the Creditors master file will be reviewed. This will be conducted every 6 months to ensure inactive, old, unused or duplicate creditors records are removed or deactivated.

**Responsible person:** Executive Financial Services Manager

**Completion date:** 31 March 2021

## ATTACHMENT A

## CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE AUDIT

## 7. Timing of monthly reconciliations

**Finding**

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

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

**Rating: Moderate****Implication**

Reconciliations are a key control for ensuring financial data is completely and accurately reflected in the general ledger from which financial statements are derived. The absence of a robust process by the City of Vincent over the reconciliations on period end balances can result in errors or omissions remaining undetected, leading to misstatements in the financial statements.

**Recommendation**

We recommend management review their current processes for monthly reconciliations and ensure balances reconciled are those reported and reconciling items are appropriate.

**Management comment**

All monthly reconciliations are undertaken as part of preparing the month end financial statements. However, due to a timing variance the reconciliation process will be reviewed and updated

**Responsible person:** Coordinator Financial Services

**Completion date:** 31 January 2021

## ATTACHMENT A

## CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE AUDIT

## 8. Quotations – minimum number not obtained

**Finding**

Council's purchasing policy states that where the value of a purchase is between \$200 and \$20,000, at least two written quotes must be obtained and recorded.

During our expenditure testing, within included reviewing the procurement process, we identified 3 purchases in this range, out of a sample of 36, where there was insufficient documentation to indicate that the requisite number of quotations had been obtained.

**Rating: Moderate****Implication**

If purchases are made without obtaining sufficient quotes, there is a risk of favouritism of suppliers and not obtaining value for money.

**Recommendation**

- i) For purchases below the tender threshold, quotes should be obtained, in accordance with the City of Vincent's purchasing policy
- ii) If instances arise where it is impractical to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

**Management comment**

The following actions will be actioned:

- The Procurement team will schedule training for individual directorates to reinforce City's Procurement Framework and Policy; and
- Ongoing procurement audits will be conducting to ensure compliance.

**Responsible person:** Executive Manager Financial Services

**Completion date:** 31 March 2021



## ATTACHMENT A

## CITY OF VINCENT

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE AUDIT

## 9. Inconsistent process for daily takings

**Finding**

During testing of controls relating to daily takings reconciliations and counting of cash floats we noted revenue could be collected in the form of cash at the Civic Centre (Main) Cashier, Loftus Community Centre, Carpark (events), Beatty Park Leisure Centre and the Library. We noted inconsistent procedures around the daily reconciliations and cash float counts across the various cashiers.

Beatty Park and the Library were the only cashiers where procedures have been implemented and documentary evidence is maintained showing the daily reconciliations have been prepared by one member of staff and reviewed by another member of staff. However, four out of seven Library daily reconciliation samples tested had no documentary evidence supporting the daily takings reconciliations had been checked by a second staff member.

Whilst it is noted the Loftus Community Centre, Carpark and Library all deposit their daily takings at the Civic Centre (Main) cashier, and the takings are counted and allocated to the relevant accounts with a receipt issued, there is no means to verify that banked amounts have been checked prior to depositing by the respective cashiers.

**Rating: Minor****Implication**

The absence of consistent procedures can lead to variations within processes across the City, this could lead to a breakdown in controls. Further, the absence of a review of daily takings can result in errors or omissions remaining undetected.

**Recommendation**

Management should implement a consistent process where practicable for daily takings and ensure daily takings are subject to independent review to verify amounts collected prior to being banked.

**Management comment**

The Civic Centre (Main) Cashier and Community Centre will ensure an independent review is in place and compliance to the current process. The inconsistencies at the library will also be addressed immediately.

**Responsible person:** Manager Customer and Library Services

**Completion date:** Actioned

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Findings identified in the current audit</b>			
1. Database Security	✓		
2. Vulnerability Management	✓		
3. Segregation of Duties		✓	
4. Classification of Information		✓	
5. Information Security Policy		✓	
6. Operational ICT Risks		✓	
7. Information Security Training and Awareness		✓	
8. Network Access Management		✓	
9. Logging and Monitoring		✓	
10. Authority User Review Process		✓	
11. Authority Event Monitoring		✓	
12. Unsupported Operating Systems		✓	
13. Unauthorised Device Connectivity		✓	
14. Network Device Management		✓	
15. Data Centre Management		✓	
16. Change Management		✓	
17. Incident and Problem Management		✓	
18. IT Asset Management		✓	
19. Contract Management		✓	
20. Disaster Recovery Plan		✓	
21. Business Continuity Plan -Testing		✓	
22. Information Security Incident Management Plan		✓	
23. Management of Removable Media		✓	
24. Standard Operating Environment			✓

This management letter contains all findings identified during the information systems audit. Based on the audit team's assessment of risk, we have removed specific details that, if made public, could risk the security of the City of Vincent information systems. We have provided additional detail to the City of Vincent in a confidential letter.

**KEY TO RATINGS**

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 1. DATABASE SECURITY

**Finding**

We performed a high level security test on key business application (Authority) database and found the following:

- The database server is missing software updates since 2012, which have been released by the vendor.
- Data encryption is not used to protect highly sensitive information.
- Database logging and auditing is not in place to monitor and record system changes. As a result, any changes made directly in the database are not captured.
- The "PUBLIC" role has default grant privilege on database objects within the Authority database.
- The database has not been securely hardened.

**Rating: Significant****Implication**

Without appropriate database security controls, the confidentiality, integrity and availability of sensitive information may be compromised.

**Recommendation**

The City should review and enhance its database management processes to:

- ensure updates to address known vulnerabilities are applied in a timely manner
- assess the risks around storing sensitive information in plain text
- review logging and alerting user activities to ensure sensitive data security
- review assigned public roles within the database and remove those not needed
- based on a risk assessment, hardened database security and improve monitoring controls.

**Management Comment**

The City accepts Finding 1 and will respond in two Phases:

1. Short/medium-term remediation will be made where possible:
  - a. Database server software updates. A project to upgrade the database was postponed in 2019 when it was merged into a larger project to upgrade the entire Authority software solution. The Authority upgrade project is currently on hold until a project dependency (chart of accounts upgrade) is completed (now due June 2021). To fast-track response to this audit finding, the database upgrade will again be separated from the Authority upgrade project and commenced as soon as can be scheduled with the vendor.
  - b. Databased hardening will be reviewed and applied as part of 1a) above.
  - c. Database logging and auditing will be enabled in line with an improvement to data backup/recovery services used by the City.
2. Long-term remediation will be achieved via an Authority software upgrade project already commissioned with the vendor. Several findings relate to vendor software architecture – these will need to be added to an operational risk register (to be developed per Finding 6) and resolved as part of the software upgrade:
  - a. All sensitive information will be encrypted
  - b. The use of grant privilege for the PUBLIC role will be eliminated

**Responsible Person:** Executive Manager ICT

**Completion Date:** Phase 1 – March 2021; Phase 2 – March 2022

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 2. VULNERABILITY MANAGEMENT

**Finding**

We found that the City has not established adequate policies or procedures around management of vulnerabilities on servers and workstations. Furthermore, the City is not undertaking regular vulnerability assessments on their IT systems. These assessments are required to ensure the effective identification of vulnerabilities and to support the patch management processes.

In addition, vulnerability assessments completed as part of the audit identified 56 critical and 47 high vulnerabilities relating to missing service packs and/or software, which is no longer supported by the vendor.

**Rating: Significant****Implication**

Without having effective procedures for identifying, assessing and addressing potential vulnerabilities within a timely manner, the system and/or data may not be adequately protected against potential threats. These vulnerabilities could be exploited and may result in unauthorised access to sensitive data or the loss of system operation.

**Recommendation**

The City should develop effective vulnerability management processes. As part of the process, the City should carry out regular vulnerability assessments. These assessments should use appropriate tools to ensure all known vulnerabilities are identified. The vulnerability assessment process should include all relevant IT systems, IT infrastructure and applications.

Software updates (patches) to fix known vulnerabilities should be evaluated, tested and where appropriate, applied to systems within a timely manner. Documented policy and procedure guides should be maintained to ensure IT staff are meeting requirements.

If decisions are made not to install any critical or security patches, the risk must be understood and any possible alternative mitigations investigated. Relevant details should also be recorded in an appropriate patch register/database.

**Management Comment:** The City accepts Finding 2. The City's software patching processes have matured, however vulnerability testing is still a gap. The City will respond with two new ongoing activities provided as a managed service:

1. The introduction of a monthly vulnerability assessment process,
2. Monthly reporting of vulnerabilities with remediation actions &/or mitigations

**Responsible Person:** Executive Manager ICT

**Completion Date:** December 2020

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 3. SEGREGATION OF DUTIES

**Finding**

We found that segregation of duties (SoD) is not enforced within the Authority system. Additionally, the SoD matrix which details specific roles is also not being maintained.

**Rating: Moderate****Implication**

Without SoD appropriately enforced within the system, there is an increased risk that individuals can perform a number of conflicting functions. This may result in an increased number of errors or possibly lead to fraud.

**Recommendation**

The City should develop an appropriate SoD matrix for the Authority system. This matrix should be used to ensure that no users are assigned multiple roles that would be considered high risk or conflicting. A formal review process should ensure that no user is assigned any conflicting duties. A formal record of completed reviews should be maintained.

**Management Comment**

The City accepts Finding 3. In September 2020 the City commissioned a change with the Authority software vendor to help clean-up access roles. This will make the allocation of access to various roles/groups more efficient and in turn help the City formally develop and apply a segregation of duties matrix.

**Responsible Person:** Executive Manager ICT

**Completion Date:** February 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 4. CLASSIFICATION OF INFORMATION

**Finding**

We found that the City does not classify and secure information in terms of legal requirements, value, criticality and sensitivity of the information. A classification policy and guidelines are not in place to label and protect information based on its sensitivity.

**Rating: *Moderate*****Implication**

Without protecting its information in line with its sensitivity, there is an increased risk that information will be misused. This could result in unauthorised access or disclosure of the City's information.

Additionally, there is a risk that inappropriate levels of security will be applied to protect information that does not require it. This may result in wasted resources and increased costs.

**Recommendation**

The City should identify and assess the sensitivity and value of its information assets. Based on this assessment, information should be classified and appropriate controls implemented.

**Management Comment**

The City accepts Finding 4. The City's electronic document management system (Content Manager) provides information classification, against which security controls are configured. The City will further develop an information classification policy and inventory of assets as part of its Information Security Program (per Finding 5). The City accepts, per Finding 3, that segregation of duties within Authority will help ensure staff have appropriate access to sensitive information within this system.

**Responsible Person:** Executive Manager ICT & Senior Records Officer

**Completion Date:** March 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 5. INFORMATION SECURITY POLICY

**Finding**

We found that the City does not have an adequate *Information Security Policy* to cover key areas of information security. The current policy is in draft as the City is in the process of developing it.

**Rating: *Moderate*****Implication**

Without adequate policies and procedures, there is an increased risk that the City will not achieve its objectives for information security. Additionally, staff may not be aware of management expectations relating to security of information.

**Recommendation**

The City should reviewing and update its current policies and procedures or develop new ones appropriately address all relevant areas of information security. Management should endorse the new policies and notify all employees and relevant stakeholders of updates.

**Management Comment**

The City accepts Finding 5. As noted in the Finding, the City has a draft Information Security Program and will seek to formalise it and align all security activities and improvements to it. The document is based on standards used by Office of Auditor General during this audit.

**Responsible Person:** Executive Manager ICT

**Completion Date:** December 2020



## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 6. OPERATIONAL ICT RISKS

**Finding**

We found that the City's ICT risks have not been appropriately identified. The current IT risk register is limited to high-level business continuity risks and does not include the broader listing of operational risks and controls associated with IT functions.

**Rating: *Moderate*****Implication**

An incomplete risk register limits the ability to assess the effectiveness of specific controls against risk and their treatments. This could result in control gaps going undetected and/or control deficiencies left unresolved.

**Recommendation**

The City should expand on its information risk management process to ensure:

- the ICT risks within the risk register are up to date and maintained
- all relevant risks are appropriately documented in the ICT risk register
- the ICT risk management process aligns with the broader organisation risk register
- controls are appropriately assessed and assigned relevant ratings in line with internal guidelines.

**Management Comment**

The City accepts Finding 6. Developing and maintaining a broad register of ICT operational risks will be formally included inside a managed services agreement. The City will maintain risk ownership, managed service resourcing will help coordinate risk maintenance and controls.

**Responsible Person:** Executive Manager ICT

**Completion Date:** January 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 7. INFORMATION SECURITY TRAINING AND AWARENESS

**Finding**

We found that the City does not have a formalised induction training and an ongoing awareness program covering information security responsibilities and cyber risks relevant to the City.

We note that the City informs its staff about phishing scams via emails.

**Rating: *Moderate*****Implication**

Without an formal induction training and ongoing information security awareness program, there is an increased risk that individuals will not understand security risks relevant to the City and their personal responsibilities. This may result in inappropriate actions, which affect the confidentiality, integrity and availability of information.

**Recommendation**

The City should establish an appropriate induction and ongoing information security awareness program. The program should be used to help maintain awareness of the information security and cyber risks relevant to the City. It should also ensure individuals are aware of their personal responsibilities for information security. The awareness program should be updated regularly so it stays in line with policies, procedures and any new or emerging threats. It should also incorporate any lessons learned from information security incidents along with relevant details from information security good practices.

**Management Comment**

The City accepts Finding 7. The City will establish induction training and an ongoing information security awareness program.

**Responsible Person:** Executive Manager ICT

**Completion Date:** March 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 8. NETWORK ACCESS MANAGEMENT

**Finding**

We found the current process to disable and review network access accounts is not operating effectively. We identified 6 active accounts belonging to terminated employees, and 2 have accessed the system after their termination date.

**Rating: *Moderate*****Implication**

Without effective procedures to review and disable user accounts, there is an increased risk of unauthorised access to the City's IT systems and/or information.

**Recommendation**

The City should enhance their current network access review process. It should ensure that exiting staff notifications are provided to service desk in a timely manner and actioned appropriately.

In addition, regular reviews of all system user access should be undertaken (e.g. checking the last login date, accounts that have never logged in etc.). Any accounts that are identified as no longer required or those which have not accessed the system for an agreed period should be appropriately removed or disabled. The City should also investigate those employees' accounts that were used after their termination.

**Management Comment**

The City accepts Finding 8. The City will improve its off-boarding processes to ensure that system access is only ever available to authorised users. System access reviews and investigations will be formally included inside a managed services agreement.

**Responsible Person:** Executive Manager ICT

**Completion Date:** January 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 9. LOGGING AND MONITORING

**Finding**

We found that the City does not have formalised policies or procedures for logging and review of security logs for network, applications and remote access.

**Rating: *Moderate*****Implication**

Without effective system logging and pro-active monitoring of logs, there is an increased risk that any potential problems, trends or ongoing attempts to compromise system or data will not be identified.

**Recommendation**

We recommend that the City implements appropriate levels of monitoring activities on its ICT environment. Key systems that control or restrict user access or process and store sensitive data, the following should be considered:

- Implement policy and procedure guides on what monitoring and logging will be performed.
- Review log files on a regular basis to identify any suspicious events or activities.
- Storing log files in a secure location to prevent any unauthorised alterations or deletions.

**Management Comment**

The City accepts Finding 9. Monitoring and logging policy and procedure will be defined against the City's Information Security Program (per Finding 5). Review of logs will be formally included inside a managed services agreement. Log file storage will be in a secure location.

**Responsible Person:** Executive Manager ICT

**Completion Date:** January 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 10. AUTHORITY USER REVIEW PROCESS

**Finding**

The City does not have a routine process to review users with access to Authority application.

**Rating: *Moderate*****Implication**

Without appropriate user access management controls, there is an increased risk of unauthorised access. This may impact the confidentiality, integrity and availability of the City's information.

**Recommendation**

The City should develop, document and implement appropriate application user account management practices.

**Management Comment**

The City accepts Finding 10. In line with Finding 3, monthly reports will be provided to key Authority managers to review and approve users based on a segregation of duties matrix.

**Responsible Person:** Executive Manager ICT

**Completion Date:** February 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 11. AUTHORITY EVENT MONITORING

**Finding**

We found that there are no formalised requirements for pro-active or regular review of event logs generated by key business application (Authority) to identify unauthorised access or malicious activity.

**Rating: *Moderate*****Implication**

Without effective pro-active monitoring of high-risk events, there is an increased risk that any potential problems, trends or ongoing attempts to compromise systems or data will not be detected.

**Recommendation**

Based on an assessment of risks, the City should formalise a process to monitor and review key events in business applications.

**Management Comment**

The City accepts Finding 11. An Access Report will be developed on a monthly basis for key Authority managers, aligned to the user review process per Finding 10. Any trends or access concerns will be identified such that email/sms alerts can be created for more immediate notification/action.

**Responsible Person:** Executive Manager ICT

**Completion Date:** February 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 12. UNSUPPORTED OPERATING SYSTEM

**Finding**

The City currently has over 10 servers and workstations running unsupported operating systems. These include Windows Server 2008 R2 Enterprise, Windows Server 2008 and Windows 7 for which Microsoft ceased support on 14 January 2020 and 14 July 2015.

Our review identified that those systems were active in March 2020 during the audit conduct.

**Rating: *Moderate*****Implication**

Unsupported operating systems no longer receive security and/or vulnerability updates from the product vendor. As a result, there is an increased risk that these systems are susceptible to exploits, which may compromise the City network and systems.

**Recommendation**

We recommend that all devices running unsupported operating systems be upgraded to supported system. If this is not possible due to operational needs, alternate mitigations must be applied.

**Management Comment**

The City accepts Finding 12. All Windows 7 systems have now been decommissioned. Windows Server 2008 systems will be decommissioned as part of the Authority upgrade project noted in Finding 1. Given the estimated completion time of the Authority upgrade project, the risk of maintaining Windows 2008 systems will be included in the risk register to be developed against Finding 6.

**Responsible Person:** Executive Manager ICT

**Completion Date:** January 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 13. UNAUTHORISED DEVICE CONNECTIVITY

**Finding**

We found that the City does not have adequate controls in place to restrict the use of unauthorised devices on their network.

**Rating: *Moderate*****Implication**

Without appropriate controls in place to restrict the use of unauthorised devices on the network, there is an increased risk that they could be used to attack internal systems.

Additionally, unauthorised devices that connect to the network could result in the spread of malware to the City's network.

**Recommendation**

The City should review the risks to their network and implement appropriate controls to prevent and detect the use of any unauthorised IT devices.

**Management Comment**

The City accepts Finding 13. The City is progressively moving to a "WIFI only" network for the majority of devices. The City's WIFI network is currently configured to meet this security restriction requirement. The wired network will itself be upgraded to support certificate-based access as part of a communications upgrade project due to complete in early 2021.

**Responsible Person:** Executive Manager ICT

**Completion Date:** February 2021



## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 14. NETWORK DEVICE MANAGEMENT

**Finding**

We reviewed the City's firewalls and network device (routers, switches) management process and found the following issues:

- Devices are not securely managed.
- The firewall logs are not appropriately configured.

**Rating: *Moderate*****Implication**

Without appropriate controls to manage the network devices, there is an increased risk that:

- individuals will not be accountable for any unauthorised or unintentional modifications to the system
- unauthorised access to the system could occur
- malicious traffic may not be detected and prevented
- suitable evidence to support any forensic or internal investigations may not be available
- user credentials may be intercepted and used to gain access to the City's IT systems and information.

**Recommendation**

The City should implement an appropriate process to securely manage and configure network devices.

**Management Comment**

The City accepts finding 14. Several changes have now been implemented to follow recommended access account controls and logging configuration. Additional security improvements to meet system access recommendations will be reviewed further and either modified or logged against an operational risk register to be developed per Finding 6.

**Responsible Person:** Executive Manager ICT

**Completion Date:** January 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 15. DATA CENTRE MANAGEMENT

**Finding**

The City does not have adequate policies or documented procedures defining responsibility for managing the primary data centre, and access management processes (e.g. request, approve, and review access to data centre).

Furthermore, we found that non-IT related hardware were located in the data centre room.

**Rating: *Moderate*****Implication**

Without adequate protection of IT systems against physical threats there is an increased risk of unauthorised access to systems, and accidental or deliberate damage.

**Recommendation**

The City should:

- develop appropriate data centre access management policies and procedures
- restrict the number of staff who can access the room
- perform regular access reviews and remove inappropriate users in a timely manner. Records of the reviews should be retained.
- only store IT-related hardware in the room.

**Management Comment**

The City accepts Finding 15. Data centre security improvements will be made to include card-only access. If possible, CCTV recording will also be introduced as part of a separate building security initiative. Review of access logs will be formally included inside a managed services agreement. All non-IT related hardware will be removed from the data centre.

**Responsible Person:** Executive Manager ICT

**Completion Date:** January 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 16. CHANGE MANAGEMENT

**Finding**

We found that the City does not have a formal change management process in place. We identified the following issues:

- There is no IT change management policy or procedure that sets out the overall objectives and requirements for change management to ensure all IT system changes are appropriately controlled and managed.
- The responsibilities to manage, co-ordinate and approve IT changes are not formally assigned.
- There is no central register for recording and tracking details of all internal changes that are made to IT infrastructure, firewall rules and systems, including application upgrades.

**Rating: *Moderate*****Implication**

There is a risk that without change management policies and procedures, changes made to IT systems may not be adequately managed and authorised. The availability or security of IT systems could be compromised should a change negatively impact them.

**Recommendation**

The City should:

- develop an appropriate IT change management policy or procedure. The policy should set out the overall objectives and requirements for change management process
- outline appropriate change management role and/or responsibilities to manage, co-ordinate and approve IT changes
- make sure all IT system changes are accurately recorded, managed and tracked in a centralised change register.

**Management Comment**

The City accepts Finding 16, noting that a draft Change Management Policy was provided during the audit. Change Management processes will be formalised per the Information Security Program noted in Finding 5; the register for recording and tracking changes will be formally included inside a managed services agreement.

**Responsible Person:** Executive Manager ICT

**Completion Date:** January 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 17. INCIDENT AND PROBLEM MANAGEMENT

**Finding**

We found that there is no standardised process in place to manage IT related incidents. Furthermore, the City does not have a formal process to outline problem management to appropriately manage IT problems, which occur in its IT environment. In addition, data from incidents is not analysed to identify known errors or problems.

**Rating: *Moderate*****Implication**

If IT incidents are not consistently managed, there is an increased risk that the City may not be able to manage or respond to incidents appropriately. Additionally, the City may not be able to evaluate and analyse the trends for continuous improvement and problem management.

In addition, without effective IT problem management there is an increased risk that the City will not identify and appropriately address the root cause of reoccurring IT incidents. This may impact IT system and service availability and may potentially affect the City's business operations.

**Recommendation**

The City should develop formal incident management processes to ensure all incidents are appropriately and consistently classified. In addition, the City should develop service desk reporting and trend analysis. These reports should be reviewed by the appropriate management so the performance of the incident management process can be monitored.

Furthermore, the City should establish an appropriate IT problem management process. This process should ensure IT problems are appropriately identified and investigated. Once the root cause has been identified, appropriate action should be taken to address the problem and prevent the reoccurrence of incidents.

**Management Comment**

The City accepts Finding 17 and will add it to an operational risk register to be developed per Finding 6. Recognising its available resources, the City is most likely to mitigate this risk through existing Service Desk processes that capture and manage incidents and problems as general requests. The City will, however, introduce additional registers to formally record incidents and log the root-cause of problems – this will be aligned to creation of the risk register to be developed per Finding 6, with incident/problem register review included inside a managed services agreement.

**Responsible Person:** Executive Manager ICT**Completion Date:** January 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 18. IT ASSET MANAGEMENT

**Finding**

We found that the City's IT asset management process is not effective. The following issues were identified:

- The City does not have up to date IT asset register information and relevant asset details such as asset status and owner are not recorded.
- The City does not have any formal procedure to ensure that all sensitive data and licensed software has been removed or securely overwritten as part of the disposal and re-use of IT assets process.

**Rating: Moderate****Implication**

Without an effective IT asset management process there is an increased risk that IT assets will be lost or stolen.

Without appropriate procedures to manage the disposal and re-use of IT assets, there is a higher risk that sensitive data may not be removed or securely erased. As a result, the City may suffer financial loss and damage to its reputation.

**Recommendation**

The City should:

- establish an effective IT asset management process. This process should ensure IT assets are appropriately managed throughout their lifecycle (from acquisition to disposal)
- relevant information on IT assets accurately recorded and maintain relevant information about IT assets in the IT asset register. Periodic audits of IT asset information against physical IT assets should be undertaken to ensure the information is accurate and up to date. Any anomalies with IT assets should be appropriately rectified
- ensure that all IT assets containing storage media are appropriately sanitised or destroyed as part of the disposal process. Accurate documentation and records relating to IT asset disposals must be maintained.

**Management Comment**

The City accepts Finding 18, noting that an ICT asset management system was already being introduced during the time of audit and will capture all physical and software/license assets. IT asset management acquisition, tracking and disposal processes will be formalised per the Information Security Program noted in Finding 5.

**Responsible Person:** Executive Manager ICT

**Completion Date:** May 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 19. CONTRACT MANAGEMENT

**Finding**

We found that the City's contract management process is not effective. We identified that:

- the City does not have an up-to-date *Contract Management Framework* and contract register
- the configuration of the new contract management system is under development and the relevant staff are not fully aware of the functionality of the system. As a result, there is no comprehensive contract reporting in place.

We acknowledge that the City recently established a centralised contract management tool and *Contract Management Framework* is in draft.

**Rating: Moderate****Implication**

Without an appropriate contract management process, the City is at a higher risk of failing to identify:

- unsuitable working arrangements with vendors, which may result in a failure to realise business benefits
- unexpected cost increases or inappropriate practises in a timely manner
- unauthorised access or changes to the contract register.

**Recommendation**

The City should:

- review its *Contract Management Framework* and, where appropriate, centralise vendor management practices
- develop suitable guidelines to manage the City's contract register
- complete regular supplier performance reviews of all vendors as required. Records of reviews should be retained
- maintain records of all contracts within its contract management system, including key financial details relevant to the contracts
- complete the access and system configuration of its new contract management system. Subsequently, review access to the system and monitor key contract financial information regularly.

**Management Comment**

The City accepts Finding 19. The City's noted draft *Contract Management Framework* and system will be completed, formalised and communicated to staff.

**Responsible Person:** Executive Manager Finance

**Completion Date:** March 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 20. DISASTER RECOVERY PLAN

**Finding**

We found that the City does not have an ICT disaster recovery plan (DRP).

**Rating: *Moderate*****Implication**

Without an adequate DRP and appropriate testing, there is an increased risk that key business functions and processes may not be restored in a timely manner after a disruption, affecting the operations of the City.

**Recommendation**

The City should develop and test its DRP to confirm that systems can be recovered in accordance with business expectations and key staff should be familiar with the plan and their specific roles and responsibilities in a disaster situation. The results of testing should be recorded, and the relevant actions taken to improve the plan where necessary.

**Management Comment**

The City accepts Finding 20. The City will introduce managed backup and infrastructure services that include disaster recovery capability. Disaster recovery and information security continuity processes will then be formalised per the Information Security Program noted in Finding 5. A formal plan will then be prepared for publication to staff and testing purposes.

**Responsible Person:** Executive Manager ICT

**Completion Date:** April 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 21. BUSINESS CONTINUITY PLAN- TESTING

**Finding**

We found that appropriate tests of the business continuity plan (BCP) have not been undertaken. Due to the lack of testing, the effectiveness of the plans and the City's ability to execute them is unknown.

**Rating: *Moderate*****Implication**

Without appropriate testing of the BCP there is an increased risk that key business functions and processes may not operate as expected during a major incident. In addition, the key business functions may not be appropriately recover following a major incident. This is likely to impact business operations and the delivery of key services.

**Recommendation**

The City should undertake appropriate tests to verify the effectiveness of the BCP. These tests should also verify that key staff are familiar with the plans and their specific roles and responsibilities in a disaster situation. The results of these tests should be recorded and the relevant actions taken to improve the plan where necessary.

**Management Comment**

The City accepts Finding 21, however notes that the City has had 0% interruption to non-library/recreational facility services throughout COVID-19 disruptions in Perth. COVID-19 has been a major incident and required significant change to how business functions operated. City staff who continue to work remotely are effectively testing part of the City's business continuity systems on a daily basis. Through improvements to data backup and infrastructure recovery noted in Finding 20, the City will expand business continuity testing to include system and infrastructure incidents as part of a managed services agreement.

**Responsible Person:** Executive Manager ICT**Completion Date:** March 2021



## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 22. INFORMATION SECURITY INCIDENT MANAGEMENT PLAN

**Finding**

We found that the City does not have an information security incident management plan.

**Rating: *Moderate*****Implication**

Without a developed and documented security incident response plan there is an increased risk that the IT department may not be able to respond to IT security incidents in an effective and timely manner.

**Recommendation**

The City should develop an appropriate information security incident management plan. This plans should include relevant procedures to ensure the effective response and management of all information security related incidents.

**Management Comment**

The City accepts Finding 22. An incident management and response plan will be formalised per the Information Security Program noted in Finding 5.

**Responsible Person:** Executive Manager ICT

**Completion Date:** March 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 23. MANAGEMENT OF REMOVABLE MEDIA

**Finding**

We found that the City does not have appropriate controls to log or restrict the use of removable media devices (e.g. USB).

**Rating: *Moderate*****Implication**

Without appropriate controls to detect, log and monitor the use of removable media devices, there is an increased risk to the City's information and IT systems. Information copied to removable media devices may be lost, stolen or inappropriately disclosed.

**Recommendation**

The City should assess the risks associated with the use of removable media devices. Where appropriate the following controls should be implemented:

- Preventing the use of any unauthorised removable media devices.
- Only using USB devices that incorporate encryption to help protect the information.
- Maintaining a register of all authorised and in use removable media devices.
- Monitoring and logging files and information copied to or from removal media devices.

**Management Comment**

The City accepts Finding 23. The City will allocate resources towards implementing and leveraging modern technologies that meet secure data transportation requirements while also eliminating the need for staff to use removable media. Removable media will then be prohibited from use on the network.

**Responsible Person:** Executive Manager ICT

**Completion Date:** April 2021

## ATTACHMENT

## CITY OF VINCENT

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INFORMATION SYSTEMS AUDIT

## 24. STANDARD OPERATING ENVIRONMENT

**Finding**

We found that a standard operating environment is not used on workstations. We identified that:

- there is no monitoring of compliance with secure workstation configuration
- relevant staff will not be notified if users attempt or successfully change their workstation configuration, including the installation/removal of software.

**Rating: *Minor*****Implication**

Without monitoring compliance with secure workstation configuration, there is an increased risk that unauthorised system configuration changes are made to computers. These changes could compromise the confidentiality, integrity and availability of information.

**Recommendation**

The City should develop its standard operating environment process and monitor compliance with secure workstation configuration. The process should include efficient notifications to relevant staff of critical changes or attempts to change workstation configuration.

**Management Comment**

The City accepts Finding 24. Monitoring of workstation compliance will be included inside a managed services agreement. Once implemented, notification processes will then be considered as part of a review to determine the feasibility and threat of staff being able to install software without administrative assistance.

**Responsible Person:** Executive Manager ICT

**Completion Date:** February 2021

Office of the Auditor General  
Western Australia

# Annual financial audit Exit brief

City of Vincent

Year ended 30 June 2020



1 December 2020

## 1. Introduction and audit outcome

Our audit was designed to enable the Auditor General to provide an opinion on the financial statements for your City for the year ended 30 June 2020. The audit is substantially complete, at the time of writing, the following is pending receipt:

- Final updated version of the annual financial report
- Audit clearance on Mindarie Regional Council
- Receipt of the signed management representation letter
- Receipt of the signed annual financial report

Subject to the above, at this stage we intend to recommend to the Auditor General to issue an unqualified audit opinion, with relevant emphasis of matter paragraphs.

In accordance with the Local Government (Audit) Regulations 1996 we also report that in our opinion the following matter indicates a significant adverse trend in the financial position of the City:

- The asset sustainability ratio has been below the Department of Local Government, Sports and Cultural Industries' standard for the current year and past 2 years.
- The debt service cover ratio as reported is below the Department of Local Government, Sports and Cultural Industries' basic standard in the current year and below the City's actual result for the past 2 years.
- The operating surplus ratio has been below the Department of Local Government, Sports and Cultural Industries' basic standard for the current year and past 2 years.

In addition, we noted the following matters to be reported in accordance with Reg 10(3) of the Local Government (Audit) Regulations 1996:

- Access controls over a key system of the City were inadequate to enforce adequate segregation of duties. This could lead to inappropriate use of the systems, however our audit testing did not identify any inappropriate use.
- No evidence was retained to demonstrate whether changes to the employee master file, including bank account details, were being authorised by an officer other than the person making the amendment. This increases the risk that authorised changes may be made, resulting in errors or funds being inappropriately transferred. Our audit did not identify any instance of unauthorised changes.

The purpose of this brief is to advise management of the results of our audit and provide the opportunity to discuss the key issues prior to the issuing of the audit opinion.

## 2. Audit coverage of key controls

As indicated in our planning summary presented at the entrance meeting, because this is the first year we are auditing the City in-house we tested the operating effectiveness of controls in detail within the following business cycles:

- Revenue
- Expenditure

- Payroll
- Cash and financing
- Property, plant, equipment and infrastructure

In addition, key areas of information systems controls were audited.

### 3. Issues identified during the audit

The following is a summary of the key issues identified during the audit. Detailed audit findings and recommendations for improvement have been discussed with your management.

Index of findings	Rating		
	Significant	Moderate	Minor
<b>Reporting and financial control issues</b>			
1. Access levels within Authority	✓		
2. Evidence of review of changes to employee masterfile	✓		
3. Classification of cash and cash equivalents	✓		
4. Accounting for NIB stadium	✓		
5. Adverse trends in financial ratios	✓		
6. Periodic cleansing of the supplier masterfile		✓	
7. Timing of monthly reconciliations		✓	
8. Quotations – minimum number not obtained		✓	
9. Inconsistent process for daily takings			✓
<b>Information system control issues</b>			
1. Database security	✓		
2. Vulnerability management	✓		
3. Segregation of duties		✓	
4. Classification of information		✓	
5. Information security policy		✓	
6. Operational ICT risks		✓	
7. Information security training and awareness		✓	
8. Network access management		✓	
9. Logging and monitoring		✓	
10. Authority user review process		✓	
11. Authority event monitoring		✓	
12. Unsupported operating systems		✓	
13. Unauthorised device connectivity		✓	
14. Network device management		✓	
15. Data centre management		✓	
16. Change management		✓	
17. Incident and problem management		✓	
18. IT Asset management		✓	
19. Contract management		✓	
20. Disaster recovery plan		✓	
21. Business continuity plan -testing		✓	
22. Information security incident management plan		✓	
23. Management of removable media		✓	
24. Standard operating environment			✓

**4. Audit outcomes relating to risks identified during our audit planning**

During the planning phase of the audit we identified the following issues and key areas of audit risk. The audit outcomes for these matters are listed below:

Details of risk / issue	Audit outcomes
<p>COVID-19</p>	<p>During the audit we reviewed controls during the pre and post COVID-19 period (i.e. July to March and April to June). There was no material COVID-19 related expenditure. The results of our testing was satisfactory.</p>
<p>The following interest in joint ventures has been accounted for based on interpretation of the accounting standards:</p> <ul style="list-style-type: none"> <li>• Mindarie Regional Council</li> <li>• Tamala Park Regional Council</li> </ul>	<p>We obtained the relevant documentation along with management’s assessments relating to both Regional Council’s as it relates to the City and concurred with management’s treatment of these investments being equity accounted.</p>
<p>Prior year management letter issues:</p> <ul style="list-style-type: none"> <li>• 2 significant                             <ul style="list-style-type: none"> <li>○ Interest on trust funds</li> <li>○ Fixed assets below \$5,000</li> </ul> </li> <li>• 3 moderate findings                             <ul style="list-style-type: none"> <li>○ Reconciliation of payroll to the general ledger not reviewed</li> <li>○ Journals not independently reviewed</li> <li>○ Purchase orders dated after invoice date</li> </ul> </li> </ul>	<p>All findings reported in the prior year were resolved, except for the fixed assets below \$5,000 where during the City’s asset verification process in the current year a further \$67,398 was identified as being below the revised capitalisation threshold and was subsequently expensed in the current year. This is included in our unadjusted errors in the financial statements section of our brief.</p>



Details of risk / issue	Audit outcomes
<p>Prior year audit report matters</p> <ul style="list-style-type: none"> <li>• Significant adverse trend                             <ul style="list-style-type: none"> <li>○ Asset sustainability ratio</li> </ul> </li> </ul>	<p>During the audit we reviewed the City's reported financial ratios and verified relevant inputs.</p> <p>We compared the City's reported results against the basic standard as determined by the Department of Local Government, Sport and Cultural Industries ("the Department"). We noted the following ratios were below the Departments standard/basic standard and are considered to indicate an adverse trend in the City:</p> <p>Below the requirements for 3 years:</p> <ul style="list-style-type: none"> <li>• Asset sustainability</li> <li>• Operating surplus</li> </ul> <p>Below the requirement for the current year and below the City's actual result for the past 2 years.</p> <ul style="list-style-type: none"> <li>• Debt service cover</li> </ul>
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> <li>• Provision for annual and long service leave</li> <li>• Fair value of non-financial assets</li> <li>• Impairment of assets</li> </ul>	<p>We reviewed the method and underlying data that management and where applicable third parties used when determining these critical accounting estimates. We are satisfied with the reasonableness of the assumptions used and the corroborating representations.</p>





Details of risk / issue	Audit outcomes
<p>Key changes to accounting standards that impact your entity for the first time this year:</p> <ul style="list-style-type: none"> <li>• <u>AASB 15 Revenue from Contracts with Customers</u>                      New requirements for recognising revenue i.e. when performance obligations are satisfied. Critical elements that need to be satisfied:                     <ul style="list-style-type: none"> <li>○ Agreement between parties must create 'enforceable' rights and obligations</li> <li>○ Entity's promise to transfer goods or services needs to be 'sufficiently specific' to be able to determine when the obligation is satisfied.</li> </ul> </li> <li>• <u>AASB 1058 Income of Not-for-Profit Entities</u>                      Applies to transactions of not-for-profit entities where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives. Whether income is recognised and its timing will depend on whether a transaction gives rise to a performance obligation, liability or contribution by owners. Transactions include those where an entity acquires or receives an asset in exchange for no consideration (i.e. cash grants, taxes and rates).</li> <li>• <u>AASB 16 Leases</u>                      For lessees the distinction between operating leases and finance leases has been removed and requires all leases (except short term leases and leases of low-value)</li> </ul>	<p>During the audit we reviewed management's assessment of the impact of the new revenue and leasing standards.</p> <p>We confirmed the revenue standards have been assessed by management and post identified audit adjustments in relation to AASB 15 &amp; 1058 we concluded the City correctly applied the revised recognition and measurement requirements of the revised standards along with the relevant disclosure requirements of each standard.</p> <p>Additionally we confirmed the leasing standard has been assessed by management and we concurred with management's assessment that there was no day one impact of this standard, in the current year the City has entered into a leasing arrangement and this has been accurately captured as a right-of-use asset.</p>



Details of risk / issue	Audit outcomes
<p>to be recognised as lease assets and lease liabilities on the balance sheet.</p> <p>This will result in the grossing up of the balance sheet and higher expenses in the early years of the lease term. Lessor accounting remains similar to current practice (i.e. lessors continue to distinguish between operating leases and finance leases).</p>	
<p>Important changes in management or the control environment</p>	<p>We did not identify any significant changes to roles, delegations or other key controls that impacted on the control environment.</p>

#### 5. Significant accounting issues resolved during the audit

During the audit, we have reviewed and concluded the following accounting issues:

Accounting issue	Accounting outcome
<p>Classification of cash and cash equivalents</p>	<p>The City originally classified all of their term deposits with original maturities of over three months as cash and cash equivalents for the year ended 30 June 2020. The City did not classify their term deposits in line with the guidance provided in AASB 107 Statement of Cash Flows, which states an “investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition” Subsequent to this issue being identified in the current year management undertook a review of the prior year reported cash balance and it was identified the same issue existed.</p> <p>This resulted in a prior period misstatement and comparative has been restated to rectify the error in accordance with AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p>
<p>Accounting for NIB Stadium</p>	<p>From our audit procedures on property, plant and equipment, we identified that the City has not depreciated the capitalised redevelopment works undertaken by VenuesWest at NIB Stadium, which is on land owned by the City and leased to VenuesWest. Management was unable to support to the cessation of depreciation which occurred in the 2017 year.</p> <p>This resulted in a prior period misstatement and comparative has been restated to rectify the error in accordance with AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p>

Accounting issue	Accounting outcome
Local government financial management regulation changes	<p>For the year ended 30 June 2020 the <i>Local Government (Financial Management) regulations 1996</i> were varied to not require the City's assets to all be held at fair value. In the year ended 30 June 2020 the following assets are required to be held at fair value:</p> <ul style="list-style-type: none"> <li>• land and buildings that are classified as property, plant and equipment</li> <li>• investment properties</li> <li>• infrastructure</li> <li>• vested improvements that the local government controls.</li> </ul> <p>The other non-financial assets of the City are to be carried under the cost model.</p> <p>The City already carried out a valuation exercise on assets no longer required to be at fair value during the 2019-20 financial year i.e. prior to the changes in the regulations being finalised with the valuation movement booked. Going forward the City will need to comply fully with the regulations.</p> <p>We reviewed the financial statement disclosure for the City and noted the changes in the regulations are reflected in the significant accounting policies.</p>

#### 6. Information systems – maturity model

As part of our information systems audit, we also completed a Capability Maturity Assessment of your City. A capability maturity model is a way of assessing how well developed and capable the established IT controls are and how well developed or capable they should be. A rating scale was used to evaluate your agency's capability and maturity levels in each of the audit focus areas. The scale ranges from 0 (non-existent) to 5 (optimized). The results agreed with your IT management are as follows:

Focus area	Rating 2020
Assess and manage IT risks	2
Manage changes	1
Ensure continuous service	1
Ensure systems security	1
Manage the physical environment	1
Manage operations	2

The results of our work will be included in a report to Parliament, which will include findings about all examined agencies so that you can benchmark your IT capability for these focus areas against other agencies.

## 7. Unadjusted errors in the financial statements

Throughout the audit process a number of errors were identified, these have been communicated to management with the required journal entries posted to correct the majority of them.

The following misstatements were identified in the financial statements during our audit and have not been adjusted. The misstatements have been included in the management representation letter in accordance with Auditing Standard ASA 450 *Evaluation of Misstatement Identified during the Audit*

Description	Assets \$	Liabilities \$	Equity \$	Income statement \$
Library books transferred from state library to the City expensed	338,378	-	-	(338,378)
Assets previously below \$5,000 expensed in the current year rather than in the prior year when the regulations changed	-	-	67,398	(67,398)
Accrued expenses to be inclusive of GST	74,280	(74,280)		
<b>Total</b>	<b>412,658</b>	<b>(74,280)</b>	<b>67,398</b>	<b>(405,776)</b>

We agree with management's conclusion the above amounts are qualitatively and quantitatively immaterial to the financial statements of the City as a whole.

## 8. Variations to the indicative audit fee

The proposed audit fee exceeds the indicative audit fee due to additional work performed mainly on:

- Prior period restatements
- Significant time and consideration of the accounting treatment for NIB stadium
- Multiple iterations to financial statements

At the time of preparing this exit brief we are unable to determine the final costs in relation to the audit, as agreed with management we have endeavoured to contain additional costs wherever possible.

Costs relating to this being a first year audit in-house for the OAG along with delays attributable due to remote working arising from COVID-19 have been absorbed by OAG.

#### 9. Actions or issues for next year's audit

Significant matters identified at this time that might impact next year's audit include:

- new Australian Accounting Standards:
  - AASB 1059 Service Concession Arrangements: Grantors



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Councillors of the City of Vincent

#### Report on the Audit of the Financial Report

##### **Opinion**

I have audited the annual financial report of the City of Vincent which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the City of Vincent:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

##### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Emphasis of Matters – Basis of Accounting**

I draw attention to the matters below. My opinion is not modified in respect of these matters:

I draw attention to Notes 1 and 11 to the annual financial report, which describes the basis for accounting. The annual financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. Regulation 17A of the Local Government (Financial Management) Regulations 1996 (Regulations), requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.

I draw attention to Notes 1 and 11 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the Act. In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

**Emphasis of Matter – Restatement of Comparative Balances**

I draw attention to Note 30 to the annual financial report which states the amounts reported in the previously issued 30 June 2019 annual financial report have been restated and disclosed as comparatives in this annual financial report. My opinion is not modified in respect of this matter.

**Responsibilities of the Chief Executive Officer and Council for the Financial Report**

The Chief Executive Officer (CEO) of the City is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of the annual financial report that is free from material misstatement, whether due to fraud or error. In preparing the annual financial report, the CEO is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the City.

The Council is responsible for overseeing the City's financial reporting process.

**Auditor's Responsibility for the Audit of the Financial Report**

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the City:
  - a. The asset sustainability ratio as reported in Note 33 of the annual financial report has been below the Department of Local Government, Sports and Cultural Industries' standard for the current year and past 2 years.
  - b. The debt service cover ratio as reported in Note 33 of the annual financial report is below the Department of Local Government, Sports and Cultural Industries' basic standard in the current year and below the City's actual result for the past 2 years.
  - c. The operating surplus ratio as reported in Note 33 of the annual financial report has been below the Department of Local Government, Sports and Cultural Industries' basic standard for the current year and past 2 years.

- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
  - a. Access controls over a key system of the City were inadequate to enforce adequate segregation of duties. This could lead to inappropriate use of the systems, however our audit testing did not identify any inappropriate use.
  - b. No evidence was retained to demonstrate whether changes to the employee master file, including bank account details, were being authorised by an officer other than the person making the amendment. This increases the risk that authorised changes may be made, resulting in errors or funds being inappropriately transferred. Our audit did not identify any instance of unauthorised changes.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Other Matter**

The financial ratios for 2018 in Note 33 of the annual financial report were audited by another auditor when performing their audit of the City for the year ended 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the annual financial report of the City of Vincent for the year ended 30 June 2020 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.

CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
December 2020



**CITY OF VINCENT  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

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**CITY'S VISION**

*To be a clever, creative and courageous local government.*

Principal place of business:  
244 Vincent Street (cnr Loftus Street)  
Leederville, Western Australia, 6007

**CITY OF VINCENT  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

*Local Government Act 1995  
Local Government (Financial Management) Regulations 1996*

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the City of Vincent for the financial year ended 30 June 2020 is based on proper accounts and records to present fairly the financial position of the City of Vincent at 30 June 2020 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the    day of    2020

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
David McLennan  
Name of Chief Executive Officer

CITY OF VINCENT  
STATEMENT OF COMPREHENSIVE INCOME  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	Restated* 2019 Actual \$
<b>Revenue</b>				
Rates	25(a)	35,678,835	35,691,498	34,102,294
Operating grants, subsidies and contributions	2(a)	2,010,681	941,369	1,648,628
Fees and charges	2(a)	15,718,899	15,769,274	19,415,392
Interest earnings	2(a)	813,755	748,100	1,158,675
Other revenue	2(a)	1,173,973	1,240,394	1,422,639
		<b>55,396,143</b>	<b>54,390,635</b>	<b>57,747,628</b>
<b>Expenses</b>				
Employee costs		(25,474,149)	(24,915,201)	(26,062,129)
Materials and contracts		(16,704,363)	(17,038,438)	(17,204,540)
Utility charges		(1,708,740)	(1,627,490)	(1,904,877)
Depreciation on non-current assets	11(c)	(13,917,901)	(11,717,502)	(13,372,362)
Interest expenses	2(b)	(602,866)	(713,748)	(938,465)
Insurance expenses		(494,843)	(534,879)	(501,641)
Other expenditure		(2,948,442)	(3,477,834)	(2,993,650)
		<b>(61,851,304)</b>	<b>(60,025,092)</b>	<b>(62,977,664)</b>
		<b>(6,455,161)</b>	<b>(5,634,457)</b>	<b>(5,230,036)</b>
Non-operating grants, subsidies and contributions	2(a)	1,381,848	1,470,228	1,709,727
Profit on asset disposals	11(a)	271,501	241,185	257,168
(Loss) on asset disposals	11(a)	(86,359)	(207,112)	(18,669)
Fixed assets written off	11(b)	(290,823)	0	(270,329)
Profit from sale of land (TPRC Joint Arrangement)	23(b)	362,936	250,000	414,744
Net Share of Interest in Joint Arrangements	23(b)	(37,435)	0	135,679
Change in Equity Local Govt House Trust	8(b)	577	0	4,101
		<b>1,602,245</b>	<b>1,754,301</b>	<b>2,232,421</b>
<b>Net result for the period</b>		<b>(4,852,916)</b>	<b>(3,880,156)</b>	<b>(2,997,615)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	585,681	0	1,258
<b>Total other comprehensive income for the period</b>		<b>585,681</b>	<b>0</b>	<b>1,258</b>
<b>Total comprehensive income for the period</b>		<b>(4,267,235)</b>	<b>(3,880,156)</b>	<b>(2,996,357)</b>

This statement is to be read in conjunction with the accompanying notes.

CITY OF VINCENT  
STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	Restated* 2019 Actual \$
<b>Revenue</b>				
Governance	2(a)	39,309	41,000	54,495
General purpose funding		38,220,942	37,558,519	36,798,097
Law, order, public safety		239,208	164,357	143,631
Health		383,015	364,365	379,321
Education and welfare		119,745	130,342	136,380
Community amenities		1,250,827	1,209,610	1,671,503
Recreation and culture		8,214,808	7,994,103	9,765,370
Transport		6,325,383	6,325,194	8,147,802
Economic services		369,936	357,850	313,578
Other property and services		232,970	245,295	337,451
		<u>55,396,143</u>	<u>54,390,635</u>	<u>57,747,628</u>
<b>Expenses</b>				
Governance	2(b)	(3,585,162)	(3,550,734)	(2,812,931)
General purpose funding		(808,237)	(811,277)	(897,155)
Law, order, public safety		(1,616,522)	(1,660,282)	(1,392,622)
Health		(1,586,064)	(1,653,285)	(1,243,162)
Education and welfare		(1,066,112)	(1,150,722)	(1,091,576)
Community amenities		(11,575,181)	(12,354,538)	(11,894,978)
Recreation and culture		(23,997,214)	(20,935,559)	(25,807,882)
Transport		(13,911,249)	(14,000,352)	(14,333,239)
Economic services		(643,186)	(556,308)	(761,862)
Other property and services		(2,459,511)	(2,638,287)	(1,803,792)
		<u>(61,248,438)</u>	<u>(59,311,344)</u>	<u>(62,039,199)</u>
<b>Finance Costs</b>				
Recreation and culture	2(b)	(602,866)	(713,748)	(938,465)
		<u>(602,866)</u>	<u>(713,748)</u>	<u>(938,465)</u>
		<u>(6,455,161)</u>	<u>(5,634,457)</u>	<u>(5,230,036)</u>
Non-operating grants, subsidies and contributions	2(a)	1,381,848	1,470,228	1,709,727
Profit on disposal of assets	11(a)	271,501	241,185	257,168
(Loss) on disposal of assets	11(a)	(86,359)	(207,112)	(18,669)
Fixed assets written off	11(b)	(290,823)	0	(270,329)
Profit from sale of land (TPRC Joint Arrangement)	23(b)	362,936	250,000	414,744
Net Share of Interest in Joint Arrangements	23(b)	(37,435)	0	135,679
Change in Equity Local Govt House Trust	4(b)	577	0	4,101
		<u>1,602,245</u>	<u>1,754,301</u>	<u>2,232,421</u>
<b>Net result for the period</b>		<b>(4,852,916)</b>	<b>(3,880,156)</b>	<b>(2,997,615)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	585,681	0	1,258
<b>Total other comprehensive income for the period</b>		<b>585,681</b>	<b>0</b>	<b>1,258</b>
<b>Total comprehensive income for the period</b>		<b>(4,267,235)</b>	<b>(3,880,156)</b>	<b>(2,996,357)</b>

This statement is to be read in conjunction with the accompanying notes.

CITY OF VINCENT  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020

	NOTE	2020 \$	2019 Restated* \$	01-Jul-18 Restated * \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	3	7,539,213	6,969,088	3,256,075
Trade and Other receivables	6	3,005,497	2,833,134	3,334,281
Financial assets	4(a)	11,000	11,000	11,000
Financial assets at amortised cost	4(a)	12,643,934	17,995,781	17,609,944
Inventories	7	185,474	175,208	184,342
Other assets	8	563,899	1,159,008	0
Assets classified as held for sale	8	748,738	0	0
<b>TOTAL CURRENT ASSETS</b>		<b>24,697,755</b>	<b>29,143,219</b>	<b>24,395,642</b>
<b>NON-CURRENT ASSETS</b>				
Trade and Other receivables	6	1,283,110	908,879	1,197,431
Other financial assets at amortised cost	4(b)	35,611	35,034	30,933
Inventories	7	0	105,822	105,822
Interests in Joint Arrangements	23(a)	9,593,399	9,688,250	9,469,902
Property, plant and equipment	9	285,275,450	289,206,317	294,113,129
Infrastructure	10	178,006,588	179,130,965	179,727,045
Right of use Assets	15	329,536	0	0
<b>TOTAL NON-CURRENT ASSETS</b>		<b>474,523,694</b>	<b>479,075,267</b>	<b>484,644,262</b>
<b>TOTAL ASSETS</b>		<b>499,221,449</b>	<b>508,218,486</b>	<b>509,039,904</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	13	6,702,481	7,200,886	4,665,044
Borrowings	17(a)	887,431	6,097,295	948,227
Employee related provisions	18	4,378,760	3,908,452	3,367,101
Contract & Capital Grant Liabilities	14	534,290	0	0
Lease liabilities	16(a)	91,377	0	0
<b>TOTAL CURRENT LIABILITIES</b>		<b>12,594,339</b>	<b>17,206,633</b>	<b>8,980,372</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	17(a)	7,916,965	7,851,061	13,948,356
Employee related provisions	18	426,880	475,086	429,113
Lease liabilities	16(a)	163,440	0	0
Contract & Capital Grant Liabilities	14	0	0	0
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,507,285</b>	<b>8,326,147</b>	<b>14,377,469</b>
<b>TOTAL LIABILITIES</b>		<b>21,101,624</b>	<b>25,532,780</b>	<b>23,357,841</b>
<b>NET ASSETS</b>		<b>478,119,825</b>	<b>482,685,706</b>	<b>485,682,063</b>
<b>EQUITY</b>				
Retained surplus		115,336,258	118,881,460	123,029,990
Reserves - cash backed	5	10,976,525	12,582,885	11,431,970
Revaluation surplus	12	351,807,042	351,221,361	351,220,103
<b>TOTAL EQUITY</b>		<b>478,119,825</b>	<b>482,685,706</b>	<b>485,682,063</b>

This statement is to be read in conjunction with the accompanying notes.

CITY OF VINCENT  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2018</b>		<b>124,733,952</b>	<b>11,431,970</b>	<b>351,527,184</b>	<b>487,693,106</b>
Correction of error - Nib stadium depreciation	30(b)	(2,011,043)	0	0	(2,011,043)
Correction of error - Mindarie Regional Council restatement	30(b)	307,081	0	(307,081)	0
<b>Restated total equity at the beginning of the financial year</b>		<b>123,029,990</b>	<b>11,431,970</b>	<b>351,220,103</b>	<b>485,682,063</b>
Comprehensive income					
Net result for the period (Original)		(982,346)	0	0	(982,346)
Correction of error - Nib stadium depreciation	30(c)	(2,011,043)	0	0	(2,011,043)
Correction of error - Mindarie Regional Council Joint Arrangement restatement	30(c)	(4,226)	0	1,258	(2,968)
Total comprehensive income		(2,997,615)	0	1,258	(2,996,357)
Transfers from/(to) reserves		(1,150,915)	1,150,915	0	0
<b>Balance as at 30 June 2019</b>		<b>118,881,460</b>	<b>12,582,885</b>	<b>351,221,361</b>	<b>482,685,706</b>
Change in accounting policy	29	(298,646)	0	0	(298,646)
<b>Restated total equity at the beginning of the financial year</b>		<b>118,582,814</b>	<b>12,582,885</b>	<b>351,221,361</b>	<b>482,387,060</b>
Comprehensive income					
Net result for the period		(4,852,916)	0	0	(4,852,916)
Other comprehensive income	12	0	0	585,681	585,681
Total comprehensive income		(4,852,916)	0	585,681	(4,267,235)
Transfers from/(to) reserves		1,606,360	(1,606,360)	0	0
<b>Balance as at 30 June 2020</b>		<b>115,336,258</b>	<b>10,976,525</b>	<b>351,807,042</b>	<b>478,119,825</b>

This statement is to be read in conjunction with the accompanying notes.

CITY OF VINCENT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	Restated* 2019 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		35,248,770	35,526,498	33,939,855
Operating grants, subsidies and contributions		2,246,324	947,389	685,557
Fees and charges		15,705,060	19,580,225	19,415,392
Interest received		813,755	933,288	1,158,675
Goods and services tax received		1,182,126	0	1,299,640
Other revenue		1,173,973	1,226,243	1,422,639
		56,370,008	58,213,643	57,921,758
<b>Payments</b>				
Employee costs		(25,052,047)	(25,493,467)	(25,277,634)
Materials and contracts		(16,586,788)	(16,683,962)	(13,791,388)
Utility charges		(1,708,740)	(1,718,630)	(1,904,877)
Interest expenses		(602,866)	(723,058)	(938,465)
Insurance expenses		(494,843)	(534,879)	(698,811)
Goods and services tax paid		(1,285,070)	0	(1,383,034)
Other expenditure		(2,872,387)	(3,359,584)	(2,993,651)
		(48,602,741)	(48,513,580)	(46,987,860)
<b>Net cash provided by (used in) operating activities</b>	19	7,767,267	9,700,063	10,933,899
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(4,760,635)	(7,477,716)	(3,066,527)
Payments for construction of infrastructure		(4,736,567)	(7,297,661)	(5,193,886)
Payments for financial assets at amortised cost		0	0	(385,837)
Non-operating grants, subsidies and contributions		1,381,848	1,470,228	1,709,727
Proceeds from sale of property, plant & equipment		564,646	555,000	330,531
Distributions from Joint Arrangements		250,000	250,000	333,333
Proceeds from financial assets at amortised cost - term deposits		5,351,846	0	0
<b>Net cash provided by (used in) investment activities</b>		(1,948,862)	(12,500,149)	(6,272,658)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings		(6,143,960)	(6,143,960)	(948,227)
Proceeds from new borrowings		1,000,000	1,000,000	0
Payments for principal portion of lease liabilities		(104,320)	0	0
<b>Net cash provided by (used in) financing activities</b>		(5,248,280)	(5,143,960)	(948,227)
<b>Net increase (decrease) in cash held</b>		570,125	(7,944,046)	3,713,013
Cash at beginning of year		6,969,088	21,955,208	3,256,075
<b>Cash and cash equivalents at the end of the year</b>	19	7,539,213	14,011,162	6,969,088

This statement is to be read in conjunction with the accompanying notes.





**CITY OF VINCENT**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual	2020 Budget	2019 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
<b>Net current assets at start of financial year - surplus/(deficit)</b>	26 (c)	5,811,178	5,811,178	5,524,402
		5,811,178	5,811,178	5,524,402
<b>Revenue from operating activities (excluding rates)</b>				
Governance		39,886	41,000	58,596
General purpose funding		2,542,107	1,867,021	2,695,803
Law, order, public safety		282,123	164,357	168,589
Health		398,145	371,864	379,321
Education and welfare		119,745	130,342	187,490
Community amenities		1,266,148	1,209,610	1,675,074
Recreation and culture		8,216,809	7,994,103	9,788,806
Transport		6,325,383	6,371,190	8,147,802
Economic services		369,936	365,721	313,578
Other property and services		754,605	675,114	1,041,967
		20,314,887	19,190,322	24,457,026
<b>Expenditure from operating activities</b>				
Governance		(3,585,162)	(3,550,734)	(2,820,918)
General purpose funding		(808,237)	(811,277)	(897,155)
Law, order, public safety		(1,616,522)	(1,660,282)	(1,392,622)
Health		(1,586,190)	(1,653,285)	(1,243,162)
Education and welfare		(1,066,112)	(1,150,722)	(1,095,752)
Community amenities		(11,575,181)	(12,354,538)	(11,960,717)
Recreation and culture		(24,633,557)	(21,656,102)	(26,799,616)
Transport		(14,113,153)	(14,007,395)	(14,334,258)
Economic services		(698,626)	(556,308)	(908,665)
Other property and services		(2,545,745)	(2,831,561)	(1,813,797)
		(62,228,485)	(60,232,204)	(63,266,662)
Non-cash amounts excluded from operating activities	26(a)	13,771,438	11,433,429	12,980,081
<b>Amount attributable to operating activities</b>		(22,330,982)	(23,797,275)	(20,305,153)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		1,381,848	1,470,228	1,709,727
Proceeds from disposal of assets	11(a)	564,646	555,000	330,531
Distributions from Joint Arrangements		250,000	250,000	333,333
Purchase of property, plant and equipment	9(a)	(4,760,635)	(5,769,009)	(3,066,526)
Purchase and construction of infrastructure	10(a)	(4,736,567)	(5,369,018)	(5,193,886)
		(7,300,708)	(8,862,799)	(5,886,821)
Non-cash amounts excluded from investing activities		(282,726)	0	0
<b>Amount attributable to investing activities</b>		(7,583,434)	(8,862,799)	(5,886,821)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	17(b)	(6,143,960)	(6,143,960)	(948,227)
Proceeds from borrowings	17(b)	1,000,000	1,000,000	0
Transfers to reserves (restricted assets)	5	(3,313,605)	(3,339,634)	(2,098,939)
Transfers from reserves (restricted assets)	5	4,919,965	5,445,566	948,024
Payments for principal portion of lease liabilities		(104,320)	0	0
<b>Amount attributable to financing activities</b>		(3,641,920)	(3,038,028)	(2,099,142)
<b>Surplus/(deficit) before imposition of general rates</b>		(33,556,336)	(35,698,102)	(28,291,116)
<b>Total amount raised from general rates</b>	25	35,678,835	35,691,498	34,102,294
<b>Surplus/(deficit) after imposition of general rates</b>	26(c)	<b>2,122,499</b>	<b>(6,604)</b>	<b>5,811,178</b>

This statement is to be read in conjunction with the accompanying notes.



**CITY OF VINCENT  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

**1. BASIS OF PREPARATION**

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the Local Government Act 1995 and accompanying regulations.

**AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

The Local Government (Financial Management) Regulations 1996 take precedence over Australian Accounting Standards. Prior to 1 July 2019, Financial Management Regulation 16 arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the City. This was not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

From 1 July 2019, the City has applied AASB 16 Leases which requires leases to be included by lessees in the statement of financial position. Also, the Local Government (Financial Management) Regulations 1996 have been amended to specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the City to measure any vested improvements at zero cost.

The City has not been impacted by this change.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

**NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS**

On 1 July 2020 the following new accounting standards are to be adopted:

- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-7 Amendments to Australian Accounting Standards - Materiality

AASB 1059 Service Concession Arrangements: Grantors is not expected to impact the financial report.

Specific impacts of AASB 2018-7 Amendments to Australian Accounting Standards - Materiality, have not been identified.

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**THE LOCAL GOVERNMENT REPORTING ENTITY**

All funds through which the City controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 28 to these financial statements.



**CITY OF VINCENT**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**2. REVENUE AND EXPENSES**

**REVENUE RECOGNITION POLICY**

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by Council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by Council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by Council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by Council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by Council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method Over 12 months matched to access right
Fees and charges for other goods and services	Library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by Council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Kiosk and Beatty Park retail stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

CITY OF VINCENT  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

## 2. REVENUE AND EXPENSES

### (a) Revenue

#### Grant Revenue

Grants, subsidies and contributions are included as both operating and non-operating revenues in the Statement of Comprehensive Income:

	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	0	0	16,410
General purpose funding	1,185,135	562,808	1,088,424
Law, order, public safety	3,559	3,000	3,438
Health	4,841	1,500	2,566
Education and welfare	4,000	0	0
Community amenities	313,851	244,497	246,815
Recreation and culture	430,991	77,055	159,520
Transport	24,343	24,500	23,998
Economic services	2,067	1,550	2,071
Other property and services	41,894	26,459	105,386
	<b>2,010,681</b>	<b>941,369</b>	<b>1,648,628</b>
<b>Non-operating grants, subsidies and contributions</b>			
Law, order, public safety	247,286	0	234,510
Recreation and culture	57,885	0	61,603
Transport	1,076,677	1,470,228	1,413,614
	<b>1,381,848</b>	<b>1,470,228</b>	<b>1,709,727</b>
	<b>3,392,529</b>	<b>2,411,597</b>	<b>3,358,355</b>
<b>Fees and Charges</b>			
Governance	798	1,000	640
General purpose funding	363,948	375,000	369,294
Law, order, public safety	235,649	161,357	140,193
Health	374,718	359,028	372,216
Education and welfare	78,153	95,690	99,940
Community amenities	928,691	963,745	1,113,065
Recreation and culture	7,034,818	7,120,291	8,837,544
Transport	6,252,688	6,250,294	8,082,118
Economic services	364,268	351,300	305,884
Other property and services	85,168	91,569	94,498
	<b>15,718,899</b>	<b>15,769,274</b>	<b>19,415,392</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Grants, subsidies and contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

##### Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

CITY OF VINCENT  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2020 Actual \$	2020 Budget \$	2019 Actual \$
<b>Contracts with customers and transfers for recognisable non-financial assets</b>			
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the City was recognised during the year for the following nature or types of goods or services:			
Non-operating grants, subsidies and contributions	1,381,848	1,470,228	1,709,727
	1,381,848	1,470,228	1,709,727
Transfers intended for acquiring or constructing recognisable non financial assets included as a contract liability at the start of the period	282,726	0	0
Other revenue from performance obligations satisfied during the year	1,099,122	1,470,228	1,709,727
	1,381,848	1,470,228	1,709,727
Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:			
Contract liabilities from contracts with customers	368,289	0	0
Capital grant liabilities from transfers for recognisable non financial assets	166,000	0	0

Impairment of assets associated with contracts with customers are detailed at note 2 (b) under 'Other expenditure'.

Contract liabilities for contracts with customers primarily relate to prepayments of membership fees relating to Beatty Park Leisure Centre and grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met. Consideration from contracts with customers is included in the transaction price.

Performance obligations in relation to Capital grant liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset.

CITY OF VINCENT  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
General rates	35,678,835	35,691,498	34,102,294
Specified area rates	0	0	0
Service charges	0	0	0
Statutory permits and licences	164,034	108,168	70,506
Fines	1,905,683	1,718,500	2,430,037
Developer contributions	0	0	
	<u>37,748,552</u>	<u>37,518,166</u>	<u>36,602,837</u>

Other revenue

Reimbursements and recoveries	955,392	1,024,542	1,059,543
Other	218,581	215,852	363,096
	<u>1,173,973</u>	<u>1,240,394</u>	<u>1,422,639</u>

Interest earnings

Municipal funds	297,684	250,000	526,802
Reserve funds	223,720	200,000	295,189
Rates instalment and penalty interest (refer Note 25(c))	290,973	295,000	333,867
Other interest earnings	1,378	3,100	2,817
	<u>813,755</u>	<u>748,100</u>	<u>1,158,675</u>



**CITY OF VINCENT  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

**SIGNIFICANT ACCOUNTING POLICIES**

**Interest earnings**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

**Interest earnings (Continued)**

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes

**2. REVENUE AND EXPENSES (Continued)**

**(b) Expenses**

**Auditors remuneration**

- Audit of the Annual Financial Report

**Interest expenses (finance costs)**

Borrowings (refer Note 17(b))

Lease liabilities

**Other expenditure**

Loss allowance on trade and other receivables

Sundry expenses

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
	55,000	55,000	55,000
	55,000	55,000	55,000
	601,738	713,748	938,465
	1,128	0	0
	602,866	713,748	938,465
	76,054	0	538,544
	2,872,388	3,477,834	2,993,650
	2,948,442	3,477,834	3,532,194

In addition to the credit loss allowance recognition required as per AASB 9, the City has incorporated additional credit risk associated with the effects of COVID-19 on the local economy.

**CITY OF VINCENT**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**3. CASH AND CASH EQUIVALENTS**

	NOTE	2020 \$	Restated* 2019 \$	Restated* 01-Jul-18 \$
Cash at Bank and on hand		7,539,213	6,969,088	3,256,075
<b>Total cash and cash equivalents</b>		<b>7,539,213</b>	<b>6,969,088</b>	<b>3,256,075</b>
<b>Comprises:</b>				
- Cash and cash equivalents		3,672,333	3,928,000	2,402,836
- Term deposits maturity < 3 months		0	2,200,000	0
- Restricted cash		3,866,880	841,088	853,239
		<b>7,539,213</b>	<b>6,969,088</b>	<b>3,256,075</b>
The following restrictions have been imposed by regulations or other externally imposed requirements:				
Reserves - cash backed		3,332,590	87,104	0
Unspent grants/contributions		0	753,984	853,239
Contract liabilities from contracts with customers	14	368,289	0	0
Capital grant liabilities from transfers for recognisable non financial assets	14	166,000	0	0
<b>Total restricted cash and cash equivalents</b>		<b>3,866,880</b>	<b>841,088</b>	<b>853,239</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

**Restricted assets**

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

CITY OF VINCENT  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**4. OTHER FINANCIAL ASSETS**

**(a) Current assets**

**Financial assets at fair value through profit and loss**

Shares in unlisted corporation - North Perth Community  
Financial Services Ltd

2020	Restated* 2019	Restated* 01-Jul-18
\$	\$	\$
11,000	11,000	11,000
11,000	11,000	11,000

**Other financial assets at amortised cost**

- Financial assets at amortised cost - term deposits 30(a)  
(Maturity > 3 months)

Comprises:

Unrestricted Term deposits - Municipal

Restricted Term deposits - Reserves

5,000,000	5,500,000	7,000,000
7,643,934	12,495,781	10,609,944
12,643,934	17,995,781	17,609,944

**(b) Non-current assets**

**Financial assets at fair value through profit and loss**

Investment in Local Government House Trust

35,611	35,034	30,933
35,611	35,034	30,933

**SIGNIFICANT ACCOUNTING POLICIES**

**Other financial assets at amortised cost**

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

**Financial assets at fair value through profit and loss**

The City classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the City has not elected to recognise fair value gains and losses through other comprehensive income.

**Impairment and risk**

Information regarding impairment and exposure to risk can be found at Note 27.

**CITY OF VINCENT**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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5. RESERVES	2020	2020	2020	2020	2020	2020	2020	2020	2019	2019	2019	2019
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Administration Centre Reserve	0	0	0	0	0	0	0	0	363	1	(364)	0
(b) Asset Sustainability Reserve	4,135,364	1,532,182	(374,349)	5,293,197	4,198,844	1,516,860	(374,349)	5,341,355	3,896,230	768,108	(528,974)	4,135,364
(c) Beatty Park Leisure Centre Reserve	99,246	1,972	0	101,218	99,278	1,927	0	101,205	149,681	4,565	(55,000)	99,246
(d) Capital Reserve	0	0	0	0	0	0	0	0	7,671	17	(7,688)	0
(e) Cash In Lieu Parking Reserve	1,867,959	58,233	0	1,926,192	1,846,678	62,968	0	1,909,646	1,688,491	193,128	(13,660)	1,867,959
(f) 246 Vincent Street Building Reserve	421,187	8,149	(28,180)	401,156	445,105	7,196	(28,181)	424,120	536,594	14,122	(129,529)	421,187
(g) Electronic Equipment Reserve	0	0	0	0	0	0	0	0	54,004	119	(54,123)	0
(h) Hyde Park Lake Reserve	156,166	3,103	0	159,269	156,142	3,030	0	159,172	152,168	3,998	0	156,166
(i) Land and Building Acquisition Reserve	291,677	5,794	0	297,471	291,632	5,658	0	297,290	284,213	7,464	0	291,677
(j) Leederville Oval Reserve	164,016	60,053	(130,000)	94,069	163,981	59,181	(130,000)	93,162	222,530	5,842	(64,356)	164,016
(k) Leederville Tennis Reserve	0	0	0	0	0	0	0	0	3,024	14,665	(17,689)	0
(l) Loftus Community Centre Reserve	31,481	5,420	0	36,901	31,475	5,359	0	36,834	24,544	6,937	0	31,481
(m) Loftus Recreation Centre Reserve	118,291	53,234	0	171,525	117,941	54,152	0	172,093	58,631	59,660	0	118,291
(n) North Perth Tennis Reserve	0	0	0	0	0	0	0	0	47,925	1,489	(49,414)	0
(o) Parking Facility and Equipment Reserve	103,550	2,057	0	105,607	103,535	2,009	0	105,544	100,899	2,651	0	103,550
(p) Percent for Art Reserve	200,000	288,867	0	488,867	200,000	327,580	(525,600)	1,980	0	200,000	0	200,000
(q) Plant and Equipment Reserve	188,734	3,749	(170,000)	22,483	188,701	3,562	(170,000)	22,263	210,436	5,525	(27,227)	188,734
(r) State Gymnastics Centre Reserve	102,201	7,996	0	110,197	102,652	7,553	0	110,205	83,757	18,444	0	102,201
(s) Strategic Waste Management Reserve	21,965	975,506	0	997,471	21,962	974,202	0	996,164	21,402	563	0	21,965
(t) Tamala Park Land Sales Reserve	4,259,422	298,916	(4,217,436)	340,902	4,258,875	300,218	(4,217,436)	341,657	3,478,572	780,850	0	4,259,422
(u) Underground Power Reserve	205,961	4,090	0	210,051	205,930	3,995	0	209,925	200,690	5,271	0	205,961
(v) Waste Management Plant and Equipment Reserve	215,665	4,284	0	219,949	215,632	4,184	0	219,816	210,145	5,520	0	215,665
	12,582,885	3,313,605	(4,919,965)	10,976,525	12,648,363	3,339,634	(5,445,566)	10,542,430	11,431,970	2,098,939	(948,024)	12,582,885

## CITY OF VINCENT NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

### 5. RESERVES - CASH BACKED (CONTINUED)

In accordance with Council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Administration Centre Reserve	Ongoing	For providing for major renovation, maintenance, repairs and replacement of the fixtures and fittings associated with the City's Administration and Civic Centre.
(b) Asset Sustainability Reserve	Ongoing	For assisting Council in funding its long term asset management objectives and provide a means to spread the cost of intergenerational assets over multiple years.
(c) Beatty Park Leisure Centre Reserve	Ongoing	For the major upgrade and redevelopment of the Beatty Park Leisure Centre including the replacement or purchase of major plant, equipment, fixtures and fittings.
(d) Capital Reserve	Ongoing	For future major capital works and projects.
(e) Cash In Lieu Parking Reserve	Ongoing	This reserve is established from payment of cash-in-lieu of car parking from development applicants and is to be used for providing and/or upgrading existing and proposed Transport infrastructure as defined in the City's Parking and Access Policy 7.7.1.
(f) 246 Vincent Street Building Reserve	Ongoing	For major building upgrade, maintenance, repairs, renovation and replacement of floorcovering, fixtures and fittings associated with the new Office Building and Land.
(g) Electronic Equipment Reserve	Ongoing	For the replacement and major upgrade of electronic equipment including, but not limited to computer hardware and software, information technology and communication equipment.
(h) Hyde Park Lake Reserve	Ongoing	For works associated with the investigation, maintenance, remedial works and the rehabilitation of the Hyde Park Lakes and surrounds.
(i) Land and Building Acquisition Reserve	Ongoing	To ensure that proceeds of real assets disposed of are restricted to purchase other land and buildings for civic purposes.
(j) Leederville Oval Reserve	Ongoing	For the works associated with the maintenance, repairs, upgrade and replacement of Leederville Oval buildings, fixtures, fittings and associated land.
(k) Leederville Tennis Reserve	Ongoing	For the upgrade, renewal and replacement of the water bore and/or pump at the Leederville tennis courts, with funds contributed by the Lessee in accordance with the Special Condition - Sinking Fund provision of the Lease.
(l) Loftus Community Centre Reserve	Ongoing	This reserve is for the purpose of capital improvements, including replacing major items of plant and equipment or renewal and modifications to the Centre.
(m) Loftus Recreation Centre Reserve	Ongoing	This reserve is for the purpose of capital improvements, including replacing major items of plant and equipment or renewal and modifications to the Centre.
(n) North Perth Tennis Reserve	Ongoing	For the upgrade, renewal and replacement of the North Perth tennis courts, with funds contributed by the Lessee in accordance with the Special Condition - Sinking Fund provision of the Lease.
(o) Parking Facility and Equipment Reserve	Ongoing	This reserve is for the purchase and replacement of parking ticket machines, provision and improvement of parking information systems, security lighting, improved pathways and associated infrastructure to access parking areas and associated works.
(p) Percent for Art Reserve	Ongoing	This reserve is funded from payment of public art contributions from development applicants and is to be used for the acquisition and provision of Public Art and associated infrastructure.
(q) Plant and Equipment Reserve	Ongoing	For the purchase of replacement plant and equipment associated with City's works.
(r) State Gymnastics Centre Reserve	Ongoing	This reserve is for the purpose of capital improvements, including replacing major items of plant and equipment or renewal and modifications to the Centre.
(s) Strategic Waste Management Reserve	Ongoing	Investigation and implementation of integrated waste management strategies/programmes and initiatives, (including secondary waste treatment and costs associated with the redevelopment of Lot 118 Tamala Park).
(t) Tamala Park Land Sales Reserve	Ongoing	For future significant/major capital works, infrastructure, project or debt reduction programme for the benefit of the City.
(u) Underground Power Reserve	Ongoing	For the purpose of funding the City's contribution to approved underground power projects.
(v) Waste Management Plant and Equipment Reserve	Ongoing	For the purpose of replacing plant and equipment associated with the City's waste management, minimisation and recycling operations.

**CITY OF VINCENT**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**6. TRADE AND OTHER RECEIVABLES**

	2020	2019
	\$	\$
<b>Current</b>		
Rates outstanding	661,370	648,084
Sundry debtors	620,700	454,133
Allowance for impairment of receivables	(194,671)	(155,806)
GST receivable	389,066	286,118
Infringement Debtors	1,710,343	1,787,271
Allowance for impairment of infringement debtors	(181,311)	(186,666)
	3,005,497	2,833,134
<b>Non-current</b>		
Rates outstanding	405,356	0
Rates outstanding - pensioners	145,187	133,768
Infringement Debtors	971,183	971,183
Allowance for impairment of infringement debtors	(238,616)	(196,072)
	1,283,110	908,879

**SIGNIFICANT ACCOUNTING POLICIES**

**Trade and other receivables**

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

**Impairment and risk exposure**

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 27.

**Classification and subsequent measurement**

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are held with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

**CITY OF VINCENT**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**7. INVENTORIES**

	2020	2019
	\$	\$
<b>Current</b>		
Depot	82,205	72,740
Beatty Park Leisure Centre	103,269	102,468
	<u>185,474</u>	<u>175,208</u>
<b>Non-current</b>		
Land held for resale - cost		
Land held for development (TPRC)	0	105,822
	<u>0</u>	<u>105,822</u>
The following movements in inventories occurred during the year:		
<b>Carrying amount at 1 July</b>	281,030	277,931
Inventories expensed during the year	(107,196)	0
Additions/(Disposals) to inventory	11,640	3,099
<b>Carrying amount at 30 June</b>	<u>185,474</u>	<u>281,030</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**General**

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Land held for resale**

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

**Land held for resale (Continued)**

Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.





CITY OF VINCENT  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

## 8. OTHER ASSETS

	2020	2019
	\$	\$
<b>Other assets - current</b>		
Deposits and Prepayments	272,632	791,942
Accrued Income	291,267	367,066
	563,899	1,159,008
<b>Assets classified as held for sale</b>		
Land - freehold	748,738	0
	748,738	0

### Land classified as held for sale

During the year Council has earmarked to dispose off two parcels of freehold land located at 150 Charles Street and 202 Vincent Street. Council has approved the sale of these parcels of land in April 2020.

### SIGNIFICANT ACCOUNTING POLICIES

#### Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

#### Non-current assets held for sale

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

#### Non-current assets held for sale (Continued)

Non-current assets classified as held for sale are valued at the lower of the carrying amount and fair value less costs to sell.

The fair value of the land was determined in 2017 using the sales comparison approach using comparable properties in the area. This is a level 2 measurement as per the fair value hierarchy set out in Note 31(h).



CITY OF VINCENT  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.  
Please refer to Note 15 for Right of Use Assets.

	Land - freehold land	Total land	Buildings*	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	PPE - Work in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Restated Balance at 1 July 2018*</b>	128,067,500	128,067,500	158,776,540	158,776,540	286,844,040	1,445,427	5,097,619	726,044	294,113,129
Additions	0	0	1,682,807	1,682,807	1,682,807	101,590	1,019,105	263,024	3,066,526
(Disposals)	0	0	0	0	0	0	(92,033)	0	(92,033)
Expensed	0	0	0	0	0	(187,208)	(14,287)	0	(201,495)
Depreciation (expense)	0	0	(6,141,829)	(6,141,829)	(6,141,829)	(430,536)	(1,107,445)	0	(7,679,810)
Transfer to Expense	0	0	0	0	0	0	0	0	0
Transfers	0	0	726,044	726,044	726,044	0	0	(726,044)	0
<b>Carrying amount at 30 June 2019</b>	128,067,500	128,067,500	155,043,562	155,043,562	283,111,062	929,273	4,902,959	263,024	289,206,317
<b>Comprises:</b>									
Gross carrying amount at 30 June 2019	128,067,500	128,067,500	237,285,255	237,285,255	365,352,755	4,180,064	11,299,021	263,024	381,094,864
Accumulated depreciation at 30 June 2019	0	0	(82,241,693)	(82,241,693)	(82,241,693)	(3,250,791)	(6,396,063)	0	(91,888,547)
<b>Carrying amount at 30 June 2019</b>	128,067,500	128,067,500	155,043,562	155,043,562	283,111,062	929,273	4,902,958	263,024	289,206,317
Additions	0	0	2,147,470	2,147,470	2,147,470	74,931	2,227,874	310,360	4,760,635
(Disposals)	0	0	0	0	0	0	(379,504)	0	(379,504)
Fixed assets written off	0	0	0	0	0	(45,150)	(245,674)	0	(290,824)
Revaluation increments / (decrements) transferred to revaluation surplus	(79,000)	(79,000)	0	0	(79,000)	0	835,033	0	756,033
Depreciation (expense)	0	0	(6,527,986)	(6,527,986)	(6,527,986)	(314,272)	(1,186,211)	0	(8,028,469)
Transfer to Expense	0	0	0	0	0	0	0	0	0
Transfer to Other Current Assets (Assets held for sale)	(748,738)	(748,738)	0	0	(748,738)	0	0	0	(748,738)
Transfers	0	0	217,047	217,047	217,047	18,006	0	(235,053)	0
<b>Carrying amount at 30 June 2020</b>	127,239,762	127,239,762	150,880,093	150,880,093	278,119,855	662,788	6,154,476	338,331	285,275,450
<b>Comprises:</b>									
Gross carrying amount at 30 June 2020	127,239,762	127,239,762	239,649,772	239,649,772	366,889,534	4,002,681	11,805,243	338,331	383,035,789
Accumulated depreciation at 30 June 2020	0	0	(88,769,679)	(88,769,679)	(88,769,679)	(3,339,893)	(5,650,767)	0	(97,760,339)
<b>Carrying amount at 30 June 2020</b>	127,239,762	127,239,762	150,880,093	150,880,093	278,119,855	662,788	6,154,476	338,331	285,275,450

\*Please refer to Note 30(d) for prior year adjustments



CITY OF VINCENT  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	2	Market Approach	Independent Valuation	June 2017	Price per square metre
Buildings	2/3	Cost and Market Approach	Independent Valuation	June 2017	Estimates of useful life, pattern of consumption, asset condition, residual value and relationship to the assessed remaining service potential of the depreciable amount.
Furniture and equipment	3	Cost Approach	Management valuation	June 2020	Purchase costs and current condition, residual values and remaining useful life assessment inputs
Plant and equipment	2/3	Cost and Market Approach	Independent Valuation	June 2020	Market price per item - Heavy and Light fleet Cost approach - Ticket machines

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

Following a change to Local Government (Financial Management) Regulation 17A, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. However, this will be applied from 2020/21 onwards because the City had already completed the revaluation exercise and it was deemed fair value approximates cost at the date of change.



CITY OF VINCENT  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020

10. INFRASTRUCTURE

(a) Movements in Carrying Amounts

Movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Right of Way	Infrastructure - Drainage	Infrastructure - Park Development	Infrastructure - Car Park Development	Other Infrastructure Assets	Infrastructure Work In Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	109,871,059	19,990,869	8,653,871	17,275,336	11,231,537	3,442,379	7,597,381	1,664,612	179,727,045
Additions	2,388,509	978,726	59,869	139,989	874,125	317,108	244,629	190,930	5,193,886
Expensed	0	0	0	0	0	0	(68,834)	0	(68,834)
Transfer to Expense	0	0	0	0	0	0	0	(28,579)	(28,579)
Depreciation (expense)	(2,920,926)	(659,524)	(208,982)	(239,935)	(915,122)	(218,441)	(529,622)	0	(5,692,552)
Transfers	295,683	1,301,979	0	0	34,980	1,200	0	(1,633,842)	0
<b>Carrying amount at 30 June 2019</b>	109,634,325	21,612,051	8,504,758	17,175,390	11,225,520	3,542,246	7,243,554	193,121	179,130,965
<b>Comprises:</b>									
Gross carrying amount at 30 June 2019	143,655,818	32,361,657	11,403,396	29,042,647	16,890,362	8,415,321	13,945,235	193,121	255,907,557
Accumulated depreciation at 30 June 2019	(34,021,493)	(10,749,606)	(2,898,638)	(11,867,257)	(5,664,842)	(4,873,075)	(6,701,681)	0	(76,776,592)
<b>Carrying amount at 30 June 2019</b>	109,634,325	21,612,051	8,504,758	17,175,390	11,225,520	3,542,246	7,243,554	193,121	179,130,965
Additions	1,968,723	245,413	58,648	134,342	687,314	180,058	702,389	759,680	4,736,567
Depreciation (expense)	(2,991,904)	(713,111)	(205,467)	(238,846)	(886,724)	(279,463)	(544,316)	0	(5,859,831)
Transfer to Expense	0	0	0	0	0	(1,113)	0	0	(1,113)
Transfers	2,191	0	0	0	43,540	0	0	(45,731)	0
<b>Carrying amount at 30 June 2020</b>	108,613,335	21,144,353	8,357,939	17,070,886	11,069,650	3,441,728	7,401,627	907,070	178,006,588
<b>Comprises:</b>									
Gross carrying amount at 30 June 2020	145,626,731	32,607,069	11,462,044	29,176,989	17,621,216	8,594,139	14,647,623	907,070	260,642,881
Accumulated depreciation at 30 June 2020	(37,013,396)	(11,462,716)	(3,104,105)	(12,106,103)	(6,551,566)	(5,152,411)	(7,245,996)	0	(82,636,293)
<b>Carrying amount at 30 June 2020</b>	108,613,335	21,144,353	8,357,939	17,070,886	11,069,650	3,441,728	7,401,627	907,070	178,006,588

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10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Measurements based on unobservable inputs for the asset of liability.	Independent Valuation	June 2018	Residual Value and useful life estimates - Level 3
Infrastructure - Foothpaths	3	Measurements based on unobservable inputs for the asset of liability.	Independent Valuation	June 2018	Residual Value and useful life estimates - Level 3
Infrastructure - Right of Way	3	Measurements based on unobservable inputs for the asset of liability.	Independent Valuation	June 2018	Residual Value and useful life estimates - Level 3
Infrastructure - Drainage	3	Measurements based on unobservable inputs for the asset of liability.	Independent Valuation	June 2018	Residual Value and useful life estimates - Level 3
Infrastructure - Park Development	3	Measurements based on unobservable inputs for the asset of liability.	Independent Valuation	June 2018	Residual Value and useful life estimates - Level 3
Infrastructure - Car Park Development	3	Measurements based on unobservable inputs for the asset of liability.	Independent Valuation	June 2018	Residual Value and useful life estimates - Level 3
Other Infrastructure Assets	3	Measurements based on unobservable inputs for the asset of liability.	Independent Valuation	June 2018	Residual Value and useful life estimates - Level 3

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.



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## 11. PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

Each class of fixed assets within either plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

#### Initial recognition and measurement between mandatory revaluation dates

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5). These assets are expensed immediately

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

#### Revaluation

*The fair value of fixed assets is determined at least once every three to five years in accordance with the regulatory framework, or when Council is of the opinion that the fair value of an asset is materially different from its carrying amount. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.*

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### Land under control

In accordance with Local Government (Financial Management) Regulation 16(a)(ii), the City was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

#### Land under roads

In Western Australia, all land under roads is Crown Land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail. Consequently, any land under roads acquired on or after 1 July 2008 was not included as an asset of the City.

#### Land under roads from 1 July 2019

As a result of amendments to the Local Government (Financial Management) Regulations 1996, effective from 1 July 2019, vested land, including land under roads, are treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

The City was not impacted by this change.

#### Vested improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with Local Government (Financial Management) Regulation 17A(2)(iv) is a departure from AASB 16 which would have required the City to measure the vested improvements as part of the related right-of-use assets at zero cost.

Refer to Note 15 that details the significant accounting policies applying to leases (including right of use assets).



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11. PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE

The following assets were disposed of during the year.

(a) Plant and Equipment	2020	2020	2020	2020	2020	2020	2020	2019	2019	2019	2019	
	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance	0	0	0	0	0	0	0	0	32,697	26,418	0	(6,279)
General Administration	6,141	34,427	28,288	0	0	0	0	0	19,145	19,146	0	0
Law, order, public safety	5,212	48,127	42,915	0	11,698	51,499	39,801	0	1,392	26,349	24,957	0
Health	165,933	102,849	14,033	(77,119)	48,671	56,170	7,499	0	0	0	0	0
Education and welfare	0	0	0	0	0	0	0	0	1,408	52,518	51,110	0
Housing					0	0	0	0				
Community amenities	9,106	24,427	15,321	0	3,305	9,500	6,195	0	0	0	0	0
Recreation and culture	0	0	0	0	0	0	0	0	6,449	29,885	23,436	0
Transport	0	0	0	0	15,269	14,500	0	(769)	0	0	0	0
Economic services	0	0	0	0	5,129	13,000	7,871	0	12,390	0	0	(12,390)
Other property and services	193,112	354,816	170,944	(9,240)	436,855	410,331	179,819	(206,343)	37,697	176,216	138,519	0
	379,504	564,646	271,501	(86,359)	520,927	555,000	241,185	(207,112)	92,033	330,531	257,168	(18,669)

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11. PROPERTY, PLANT AND EQUIPMENT AND INFRASTRUCTURE (Continued)

(b) Fixed assets written off

The following assets were written off during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Furniture, Plant and Equipment</b>								
Education and Welfare	0	0	0	0	4,176	0	0	(4,176)
Governance	0	0	0	0	1,708	0	0	(1,708)
Law Order and Public Safety	0	0	0	0	0	0	0	0
Other Property and Services	0	0	0	0	10,005	0	0	(10,005)
Economic Services	59,427	0	0	(59,427)	134,413	0	0	(134,413)
Recreation and Culture	29,491	0	0	(29,491)	50,175	0	0	(50,175)
Transport	201,905	0	0	(201,905)	1,018	0	0	(1,018)
	<u>290,823</u>	<u>0</u>	<u>0</u>	<u>(290,823)</u>	<u>201,495</u>	<u>0</u>	<u>0</u>	<u>(201,495)</u>
<b>Infrastructure</b>								
Community Amenities	0	0	0	0	65,739	0	0	(65,739)
Recreation and Culture	0	0	0	0	3,095	0	0	(3,095)
Transport	0	0	0	0	0	0	0	0
Other Property Services	0	0	0	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>68,834</u>	<u>0</u>	<u>0</u>	<u>(68,834)</u>
<b>Total expensed</b>	<u>290,823</u>	<u>0</u>	<u>0</u>	<u>(290,823)</u>	<u>270,329</u>	<u>0</u>	<u>0</u>	<u>(270,329)</u>

The assets above have been written off as part of the asset verification exercise undertaken as part of the revaluation exercise of Plant, Furniture and equipment.

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11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(c) Depreciation	2020	2020	Restated*
	Actual	Budget	2019 Actual
	\$	\$	\$
Buildings	6,527,986	4,381,662	6,141,829
Furniture and equipment	314,272	430,030	430,536
Plant and equipment	1,186,211	1,099,617	1,107,445
Infrastructure - Roads	2,991,904	2,947,104	2,920,926
Infrastructure - Footpaths	713,111	711,622	659,524
Infrastructure - Right of Way	205,467	205,467	208,982
Infrastructure - Drainage	238,846	240,000	239,935
Infrastructure - Park Development	886,724	902,000	915,122
Infrastructure - Car Park Development	279,463	265,000	218,441
Other Infrastructure Assets	544,316	535,000	529,622
Right of Use Assets - Plant and Equipment	29,601	0	0
	13,917,901	11,717,502	13,372,362

**SIGNIFICANT ACCOUNTING POLICIES**

**Depreciation**

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

**Depreciation rates**

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Buildings	15 to 80 years
Furniture and equipment	3 to 20 years
Plant and equipment	3 to 30 years
Sealed roads and streets	
Subgrade structure	not depreciated
Formation	not depreciated
Pavement	60 to 120 years
Seal	
- bituminous seals	20 years
- asphalt surfaces	30 years
Footpaths	5 to 50 years
Water supply and Drainage systems	30 to 120 years
Car park infrastructure	
Subgrade structure	not depreciated
Other infrastructure	10 to 60 years
Parks infrastructure	
Reticulation	30 years
Parks other infrastructure	7 to 80 years
Right of use Asset (plant and equipment)	3 years

**Depreciation (Continued)**

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- (a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- (b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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## 12. REVALUATION SURPLUS

	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance	Restated* 2019 Opening Balance	Restated 2019 Revaluation Increment	Restated Total Movement on Revaluation	Restated 2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	125,380,529	0	(79,000)	(79,000)	125,301,529	125,380,529	0	0	125,380,529
Revaluation surplus - Buildings	115,951,868	0	0	0	115,951,868	115,951,868	0	0	115,951,868
Revaluation surplus - Furniture and equipment	206,609	0	0	0	206,609	206,609	0	0	206,609
Revaluation surplus - Plant and equipment	2,113,335	835,033	0	835,033	2,948,368	2,113,335	0	0	2,113,335
Revaluation surplus - Joint Arrangement in Mindarie Regional Council	2,293,396	0	(170,352)	(170,352)	2,123,044	2,292,138	1,258	1,258	2,293,396
Revaluation surplus - Joint Arrangement in Tamala Park Regional Council	529	0	0	0	529	529	0	0	529
Revaluation surplus - Infrastructure - Roads	81,580,765	0	0	0	81,580,765	81,580,765	0	0	81,580,765
Revaluation surplus - Infrastructure - Footpaths	12,870,701	0	0	0	12,870,701	12,870,701	0	0	12,870,701
Revaluation surplus - Infrastructure - Right of Way	5,142,685	0	0	0	5,142,685	5,142,685	0	0	5,142,685
Revaluation surplus - Infrastructure - Drainage	3,073,843	0	0	0	3,073,843	3,073,843	0	0	3,073,843
Revaluation surplus - Other Infrastructure Assets	2,607,101	0	0	0	2,607,101	2,607,101	0	0	2,607,101
	351,221,361	835,033	(249,352)	585,681	351,807,042	351,220,103	1,258	1,258	351,221,361

\* Refer to Note 30(c) for prior year adjustments relating to Mindarie Regional Council

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

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**13. TRADE AND OTHER PAYABLES**

	2020	2019
	\$	\$
<b>Current</b>		
Sundry creditors	3,430,516	3,387,896
Prepaid Rates	398,532	0
Accrued Expenses	1,441,561	1,507,948
Contribution Liabilities - Bonds	1,431,872	2,305,042
	<u>6,702,481</u>	<u>7,200,886</u>

**SIGNIFICANT ACCOUNTING POLICIES**

**Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services.

The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

**Prepaid rates**

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

CITY OF VINCENT  
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14. CONTRACT & CAPITAL GRANT LIABILITIES

	2020	2019
	\$	\$
<b>Current</b>		
Contract liabilities from contracts with customers - Rates paid in advance	0	0
Contract liabilities from contracts with customers	368,289	0
Capital grant liabilities from transfers for recognisable non financial assets	166,000	0
	534,289	0

Performance obligations from contracts with customers are expected to be recognised as revenue in accordance with the following time bands:  
 Less than 1 year

534,289

**SIGNIFICANT ACCOUNTING POLICIES**

**Contract Liabilities**

Contract liabilities represent the the City's obligation to transfer goods or services to a customer for which the City has received consideration from the customer.

Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

**Capital Grant Liabilities**

Capital grant Liabilities represent grant monies received for the purpose of constructing a non-financial asset in accordance to AASB 1058.

Capital grant liabilities are recognised as income when the City achieves milestones specified in the grant agreement.



**CITY OF VINCENT**  
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**15. LEASES**

**(a) Right of Use Assets**

Movement in the carrying amounts of each class of right of use asset between the beginning and the end of the current financial year.

	<b>Right of Use Assets - Plant and equipment</b>	<b>Right of use assets Total</b>
	\$	
<b>Carrying amount at 30 June 2019</b>	0	0
Additions	359,137	359,137
Depreciation (expense)	(29,601)	(29,601)
<b>Carrying amount at 30 June 2020</b>	<b>329,536</b>	<b>329,536</b>
<b>(b) Cash outflow from leases</b>		
Interest expense on lease liabilities	1,128	1,128
Lease principal expense	104,320	104,320
Total cash outflow from leases	105,448	105,448
<b>(c) Other expenses and income relating to leases</b>		
Short-term lease payments recognised as expense	43,272	43,272
	43,272	43,272

The City has one lease relating to plant and equipment for ticket machines. The lease term is 3 years with fixed term payments on a quarterly basis.

The City has not revalued the right of use assets relating to plant and equipment as the difference between the fair value and carrying amount is immaterial.

**SIGNIFICANT ACCOUNTING POLICIES**

**Leases**

At inception of a contract, the City assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right of use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the City uses its incremental borrowing rate.

Right of use assets are subsequently measured under the revaluation model as they relate to asset classes that are also revalued.

Right of use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right of use asset reflects that the City anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right of use assets are secured over the asset being leased.

**Right-of-use assets - valuation**

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 4 for details on the significant accounting policies applying to vested improvements.

**Right-of-use assets - depreciation**

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the City anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

**CITY OF VINCENT  
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**16. LEASE LIABILITIES**

**(a) Lease Liabilities**

	2020	2019
	\$	\$
Current	91,377	0
Non-current	163,440	0
	254,817	0

**(b) Movements in Carrying Amounts**

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020
					Lease Principal 1 July 2019	Actual New Leases	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments
					\$	\$	\$	\$	\$
<b>Transport</b>									
EMV kits for Parking ticket machines	E6N0162814	Maia Financial	1.60%	3 years	0	359,137	104,320	254,817	1,128
					0	359,137	104,320	254,817	1,128

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**17. INFORMATION ON BORROWINGS**

(a) Borrowings

	2020	2019
	\$	\$
Current	887,431	6,097,295
Non-current	7,916,965	7,851,061
	<u>8,804,396</u>	<u>13,948,356</u>

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2020					30 June 2020					30 June 2019			
				Actual Principal 1 July 2019	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Budget Principal 1 July 2019	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2018	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Recreation and culture</b>																	
246 Vincent Street DLGSC building	2	W.A. Treasury Corp	6.38%	5,343,968	0	5,343,968	140,617	0	5,343,969	0	5,343,969	171,447	0	5,576,576	232,608	386,149	5,343,968
246 Vincent Street DLGSC building	2B	W.A. Treasury Corp	1.44%	0	1,000,000	46,666	8,288	953,334	1,000,000	0	46,666	7,200	953,334	-	-	-	-
Loftus Centre Redevelopment	5	W.A. Treasury Corp	6.35%	1,673,287	0	163,646	100,743	1,509,641	1,673,286	0	163,646	101,545	1,509,640	1,826,890	153,603	123,059	1,673,287
Underground Car Park Loftus Rec	6	W.A. Treasury Corp	3.85%	798,302	0	241,679	25,661	556,623	798,302	0	241,679	26,500	556,623	1,030,867	232,565	41,497	798,302
Beatty Park Redevelopment	10	W.A. Treasury Corp	5.49%	6,132,799	0	348,001	326,429	5,784,798	6,132,799	0	348,000	328,021	5,784,799	6,462,250	329,451	387,760	6,132,799
				<u>13,948,356</u>	<u>1,000,000</u>	<u>6,143,960</u>	<u>601,738</u>	<u>8,804,396</u>	<u>13,948,356</u>	<u>1,000,000</u>	<u>6,143,960</u>	<u>634,712</u>	<u>8,804,396</u>	<u>14,896,583</u>	<u>948,227</u>	<u>938,465</u>	<u>13,948,356</u>

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17. INFORMATION ON BORROWINGS (Continued)

	2020	2019
<b>(c) Undrawn Borrowing Facilities</b>	<b>\$</b>	<b>\$</b>
<b>Credit Standby Arrangements</b>		
Credit card limit	50,000	25,000
Credit card balance at balance date	(4,398)	(7,430)
<b>Total amount of credit unused</b>	<b>45,602</b>	<b>17,570</b>
<b>Loan facilities</b>		
Loan facilities - current	887,431	6,097,295
Loan facilities - non-current	7,916,965	7,851,061
<b>Total facilities in use at balance date</b>	<b>8,804,396</b>	<b>13,948,356</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

Financial liabilities are recognised at fair value when the City becomes a party to the contractual provisions to the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**Borrowing costs**

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

**Risk**

Information regarding exposure to risk can be found at Note 27.

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## 18. EMPLOYEE RELATED PROVISIONS

### Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
<b>Opening balance at 1 July 2019</b>			
Current provisions	2,055,408	1,853,044	3,908,452
Non-current provisions	0	475,086	475,086
	2,055,408	2,328,130	4,383,538
<b>Additional provision</b>	419,825	2,277	422,102
<b>Balance at 30 June 2020</b>	2,475,233	2,330,408	4,805,640
<b>Comprises</b>			
Current	2,475,233	1,903,527	4,378,760
Non-current	0	426,880	426,880
	2,475,233	2,330,407	4,805,640
<b>Amounts are expected to be settled on the following basis:</b>	<b>2020</b>	<b>2019</b>	
	\$	\$	
Less than 12 months after the reporting date	961,128	876,708	
More than 12 months from reporting date	3,844,512	3,506,830	
	4,805,640	4,383,538	

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

### SIGNIFICANT ACCOUNTING POLICIES

#### Employee benefits

##### Short-term employee benefits

Provision is made for the City's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The City's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

##### Other long-term employee benefits

The City's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

##### Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The City's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the City does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

##### Provisions

Provisions are recognised when the City has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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### 19. NOTES TO THE STATEMENT OF CASH FLOWS

#### Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2020 Actual	2020 Budget	Restated* 2019 Actual
	\$	\$	\$
Cash and cash equivalents	7,539,213	14,011,162	6,969,088
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	(4,852,916)	(3,880,156)	(2,997,615)
Non-cash flows in Net result:			
Depreciation	13,917,901	11,717,502	13,372,362
Assets expensed during the year	0	0	28,579
Fixed assets expensed	290,823	0	270,329
Change in Equity Local Govt House Trust	(577)	0	(4,101)
Net Share of Interests in Joint Arrangement	37,435	0	(135,679)
(Profit)/loss on sale of asset	(185,142)	(34,073)	(238,499)
Profit from sale of land (TPRC Joint Arrangement)	(362,936)	250,000	(414,744)
Other Non-cash adjustments	1,113	0	0
Loss on revaluation of fixed assets	0	0	(0)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(470,794)	730,018	174,126
(Increase)/decrease in other assets	0	0	0
(Increase)/decrease in Prepayments	519,310	652,000	(543,433)
(Increase)/decrease in inventories	95,557	85,000	9,134
Increase/(decrease) in payables	(498,405)	900,000	2,535,842
Increase/(decrease) in provisions	422,102	750,000	587,326
Increase/(decrease) in contract and capital grant liabilities	235,643	0	0
Non-operating grants, subsidies and contributions	(1,381,848)	(1,470,228)	(1,709,727)
Net cash provided by operating activities	7,767,267	9,700,063	10,933,899

CITY OF VINCENT  
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## 20. CONTINGENT LIABILITIES

### **Mindarie Regional Council**

In line with other equity holders in the Mindarie Regional Council (MRC), the City of Vincent has guaranteed a proportionate of its equity share (1/12) the obligations of MRC to the contractor which built and is now operating the Neerabup Resource Recovery Facility. The financial guarantee is to provide comfort to the operator (and its financiers) by providing a direct contractual relationship between each member council and the operator.

The guarantee can be called upon in the event of a default event during the contractor's operation of the facility. The share of the liability that could be generated by the exercise of the guarantee is estimated at an amount between \$1.5 million and \$7.2 million depending on the time of any such default event. The current guarantee period expires on 15 July 2021.

CITY OF VINCENT  
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**21. CAPITAL AND LEASING COMMITMENTS**

	2020	2019
	\$	\$
<b>(a) Capital Expenditure Commitments</b>		
Contracted for:		
- capital expenditure projects	648,310	983,961
- plant & equipment purchases	346,729	1,688,694
	<u>995,039</u>	<u>2,672,655</u>
Payable:		
- not later than one year	995,039	2,672,655

**(b) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the accounts.

	2020	2019
	\$	\$
Payable:		
- not later than one year	0	43,272
	<u>0</u>	<u>43,272</u>



CITY OF VINCENT  
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## 22. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or the Mayor.			
Meeting Fees	216,801	216,989	214,840
Mayor's allowance	63,354	63,354	62,727
Deputy Mayor's allowance	15,711	15,839	15,682
Travelling expenses	1,044	500	499
Telecommunications allowance	22,636	22,850	22,623
Stationery/Printing	4,906	6,000	3,507
Other Expenses	257	950	115
Child Care	5,155	8,000	5,605
	<u>329,864</u>	<u>334,482</u>	<u>325,598</u>

### Key Management Personnel (KMP) Compensation Disclosure

	2020 Actual	2019 Actual
	\$	\$
The total of remuneration paid to KMP of the City during the year are as follows:		
Short-term employee benefits	842,445	940,072
Post-employment benefits	73,562	98,249
Other long-term benefits	17,741	24,078
Termination benefits	0	185,252
	<u>933,748</u>	<u>1,247,651</u>

#### Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

#### Post-employment benefits

These amounts are the current year's estimated cost of providing for the City's superannuation contributions made during the year.

#### Other long-term benefits

These amounts represent long service benefits accruing during the year.

#### Termination benefits

These amounts represent termination benefits paid to KMP.

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## 22. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

Transactions between related parties and the City are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

The following transactions occurred with related parties:	2020 Actual	2019 Actual
	\$	\$
Sale of goods and services	55,616	59,826
Purchase of goods and services	2,670,496	2,602,996
<b>Joint Arrangement entities:</b>		
Distributions received from joint arrangement entities	250,000	333,333
<b>Amounts outstanding from related parties:</b>		
Trade and other receivables	228	1,280
<b>Amounts payable to related parties:</b>		
Trade and other payables	22,600	154,473

### Related Parties

#### The City's main related parties are as follows:

*i. Key management personnel*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

*ii. Other Related Parties*

The associate person of KMP was employed by the City under normal employment terms and conditions.

*iii. Entities subject to significant influence by the City*

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

*iv. Joint arrangement entities accounted for under the proportionate consolidation method*

The City has a one-twelfth interest Mindarie Regional Council and Tamala Park Regional Council respectively. The interest in the joint arrangement entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint arrangement entities, refer to Note 23.

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### 23. INTEREST IN JOINT ARRANGEMENTS

	2020 \$	Restated* 2019 \$
<b>(a) Net assets</b>		
Mindarie Regional Council	5,685,075	5,878,910
Tamala Park Regional Council	3,908,324	3,809,340
	<b>9,593,399</b>	<b>9,688,250</b>

#### Mindarie Regional Council

The Mindarie Regional Council was formally constituted in December 1987. The City of Vincent (along with the Cities of Perth, Wanneroo, Joondalup, Stirling and the Towns of Victoria Park and Cambridge) is a member of the Mindarie Regional Council. The primary function of the Regional Council under the constitution agreement is for the orderly and efficient treatment and / or disposal of waste. City of Vincent is a participant in the Mindarie Regional council and has a one twelfth (1/12) equity in the land and assets of the refuse facility as per the constitution agreement (dated 25 November 1996) that recognises the City as a member of the Mindarie Regional Council.

The City's interest in the MRC joint arrangement is represented by the following breakdown of the joint arrangement's financial position (1/12 share).

The valuation as shown below is, at the time of preparation of these statements.

	2020 \$	Restated* 2019 \$
Current Assets	3,388,301	3,103,934
Non-Current Assets	5,390,899	4,828,242
<b>Total Assets</b>	<b>8,779,200</b>	<b>7,932,176</b>
Current Liabilities	696,294	623,949
Non-Current Liabilities	2,397,831	1,429,317
<b>Total Liabilities</b>	<b>3,094,125</b>	<b>2,053,266</b>
<b>Net Assets</b>	<b>5,685,075</b>	<b>5,878,910</b>

\* Refer to Note 30 for prior year adjustments relating to Mindarie Regional Council.

#### Tamala Park Regional Council

The City is a participant (along with the Cities of Perth, Wanneroo, Joondalup, Stirling and the Towns of Victoria Park and Cambridge) in the operations of Tamala Park Regional Council (TPRC). The TPRC was created in 2006 to develop approximately 173 hectares of land for sale immediately north of the land leased by the Mindarie Regional Council. The City of Vincent has a one twelfth (1/12) equity in the assets and liabilities of the development as well as a one twelfth (1/12) equity in the assets and liabilities of TPRC as the operator of the development, and a one twelfth (1/12) share in the asset of the land held for development.

The City's interest in the TPRC joint arrangement is represented by the following breakdown of the joint arrangement's financial position (1/12 share).

	2020 \$	2019 \$
Current Assets	3,793,106	3,693,401
Non-Current Assets	146,468	143,607
<b>Total Assets</b>	<b>3,939,574</b>	<b>3,837,008</b>
Current Liabilities	28,752	27,191
Non-Current Liabilities	2,497	477
<b>Total Liabilities</b>	<b>31,249</b>	<b>27,668</b>
<b>Net Assets</b>	<b>3,908,325</b>	<b>3,809,340</b>

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23. INTEREST IN JOINT ARRANGEMENTS (Continued)

(b) Change in Equity

	2020 \$	Restated* 2019 \$
<b>Investment in Mindarie Regional Council</b>		
Opening Balance	5,878,910	5,658,875
Changes on Revaluation of Non-Current Assets	(170,352)	1,259
Net Share of Interests in Mindarie Regional Council	(23,483)	218,776
<b>Closing Balance (Based on audited financials)</b>	<b>5,685,075</b>	<b>5,878,910</b>
<b>Investment in Tamala Park Regional Council</b>		
Opening Balance	3,809,340	3,811,027
Proceeds from Sale of Land	753,148	828,217
Land Development Expenses	(390,212)	(413,473)
Proceeds Distribution	(250,000)	(333,333)
Net Share of Interests in Tamala Park Regional Council - Retained surplus	(13,366)	627
Net Share of Interests in Tamala Park Regional Council - Members Equity	(586)	(83,725)
<b>Closing Balance (Based on audited financials)</b>	<b>3,908,324</b>	<b>3,809,340</b>
Net Share of Interests in Mindarie Regional Council	(23,483)	218,777
Net Share of Interests in Tamala Park Regional Council - Retained surplus	(13,366)	627
Net Share of Interests in Tamala Park Regional Council - Members Equity	(586)	(83,725)
	<b>(37,435)</b>	<b>135,679</b>

\* Refer to Note 30 for prior year adjustments relating to Mindarie Regional Council.

**SIGNIFICANT ACCOUNTING POLICIES**

**Interests in joint arrangements**

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint arrangements providing joint arrangements with an interest to net assets are classified as a joint arrangement and accounted for using the equity method.

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## 24. MAJOR LAND TRANSACTIONS

Tamala Park Regional Council – Development of Catalina Estate

### (a) Details

The City is a participant (along with the Cities of Joondalup, Perth, Stirling, Wanneroo and the Towns of Cambridge and Victoria Park) in the operations of the Tamala Park Regional Council (TPRC). The TPRC was created in 2006 to develop the Catalina Estate - approximately 173 hectares of land for sale immediately north of the land leased by the Mindarie Regional Council. The City has a one twelfth (1/12) equity in the assets and liabilities of the development and the net proceeds of the land development; as well as a one twelfth (1/12) share in the asset of the lands held for development.

The City's share of the land sale proceeds at Tamala Park is \$753,418. The City's share of the development and selling costs is \$390,212 resulting in a net gain amount of \$362,936. This note should also be read in conjunction with Note 23 Interests in Joint Arrangements.

	2020 Actual \$	2019 Actual \$
Operating Income		
- Proceeds from Sale of Land (distributed)	250,000	333,333
- Proceeds from Sale of Land (not distributed)	503,148	494,884
Capital Expenditure		
- Land Development Costs	(390,212)	(413,473)
Net proceeds	362,936	414,744

### (c) Expected future cash flows

	2020/21 \$	2021/22 \$	2022/23 \$	2023/24 \$	2024/25 \$	Total \$
<b>Cash outflows</b>						
- Development costs	(1,772,757)	(2,618,247)	(2,616,754)	(2,413,856)	(2,190,666)	(11,612,281)
<b>Cash inflows</b>						
- Sale proceeds	3,533,299	4,670,374	4,465,042	4,744,462	5,037,014	22,450,191
<b>Net cash flows</b>	1,760,542	2,052,127	1,848,288	2,330,606	2,846,348	10,837,910
	2025/26 \$	2026/27 \$	2027/28 \$	2028/29 \$	2029/30 \$	Total \$
<b>Cash outflows</b>						
- Development costs	(2,904,050)	(2,751,955)	(516,018)	(271,600)	0	(6,443,623)
<b>Cash inflows</b>						
- Sale proceeds	5,503,308	6,609,530	3,739,413	389,156	0	16,241,407
<b>Net cash flows</b>	2,599,258	3,857,575	3,223,395	117,556	0	9,797,784

### (d) Assets and liabilities

	2020 \$	2019 \$
<b>Refer to Inventories (Note 7)</b>		
<b>Non-Current</b>		
Land held for development (TPRC)	0	105,822
	0	105,822



CITY OF VINCENT  
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25. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20 Actual Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Rate Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
<b>Differential general rate / general rate</b>											
<b>Gross rental valuations</b>											
Residential	0.0665	11,253	288,459,724	19,182,572	302,424	21,062	19,506,058	19,182,572	270,000	19,452,572	18,374,683
Other	0.06718	1,624	128,779,126	8,651,382	13,690	8,928	8,674,000	8,662,268	25,000	8,687,268	8,520,691
Vacant Commercial	0.0665	41	2,482,850	318,227	(17,753)	(12,507)	287,967	318,227	30,000	348,227	312,335
Vacant Residential	0.12817	130	3,367,260	223,923	2,661	(2,183)	224,401	223,923	5,000	228,923	216,794
<b>Sub-Total</b>		13,048	423,088,960	28,376,104	301,022	15,300	28,692,426	28,386,990	330,000	28,716,990	27,424,503
<b>Minimum payment</b>											
<b>Gross rental valuations</b>											
Residential	1,212	5,495	84,563,140	6,659,391	20,056	21,217	6,700,664	6,659,391	30,000	6,689,391	6,507,649
Other	1,198	147	1,763,734	176,062	(1,198)	1,940	176,804	176,062	0	176,062	172,465
Vacant Commercial	1,516	4	41,700	6,066	0	0	6,066	6,065	0	6,065	5,976
Vacant Residential	1,212	184	2,370,880	222,990	13,334	4,972	241,296	222,990	20,000	242,990	217,051
<b>Sub-Total</b>		5,830	88,739,454	7,064,509	32,192	28,129	7,124,830	7,064,508	50,000	7,114,508	6,903,142
		18,878	511,828,414	35,440,613	333,214	43,429	35,817,256	35,451,498	380,000	35,831,498	34,327,645
Rates waived (refer Note 25(b))							(138,421)			(140,000)	(142,212)
Rates Exemptions							0			0	276,388
Rates Paid in advance brought forward							0			0	(359,527)
<b>Total amount raised from general rate</b>							35,678,835			35,691,498	34,102,294

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

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**25. RATING INFORMATION (Continued)**

**(b) Discounts, Incentives, Concessions, & Write-offs**

**Waivers or Concessions**

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2020 Actual \$	2020 Budget \$	2019 Actual \$	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Reasons for the Waiver or Concession
Rates waived				138,421	140,000	142,212	City's leased properties	Not-for-profit/Community and/or Sporting purposes
				138,421	140,000	142,212		

**(c) Interest Charges & Instalments**

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Single full payment	26 Aug 2019	0.00	0.00%	11.00%
<b>Option Two</b>				
First instalment	26 Aug 2019	0.00	0.00%	11.00%
Second instalment	29 Oct 2019	13.00	5.50%	11.00%
Third instalment	07 Jan 2020	13.00	5.50%	11.00%
Fourth instalment	10 Mar 2020	13.00	5.50%	11.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	96,329	100,000	149,183
Interest on instalment plan	194,644	195,000	181,186
Charges on instalment plan	255,813	260,000	255,158
	546,786	555,000	585,527



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## 26. RATE SETTING STATEMENT INFORMATION

Note	2019/20 (30 June 2020 Carried Forward) \$	2019/20 Budget (30 June 2020 Carried Forward) \$	2019/20 Brought Forward) \$
<b>(a) Non-cash amounts excluded from operating activities</b>			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
<b>Adjustments to operating activities</b>			
Less: Profit on asset disposals	11(a)	(271,501)	(241,185)
Assets expensed during the year		0	28,579
Less: Movement in liabilities associated with restricted cash - operating grants		(15,920)	0
Add: Other Non-cash adjustments		1,113	0
Add: Movement in Inventory (Land held for development TPRC)		105,822	0
Less: Fair value adjustments to financial assets at amortised cost		(577)	(4,101)
Fixed Assets expensed		290,823	270,329
Less: Change in accounting policy	29	0	(137,472)
Movement in pensioner deferred rates (non-current)		(11,419)	(2,740)
Movement in employee benefit provisions (non-current)		(48,206)	45,974
Movement in Infringement debtors provisions (non-current)		42,544	196,072
Add: Loss on disposal of assets	11(a)	86,359	207,112
Movement in Net Share of Interest in Joint Arrangement		37,435	(135,679)
Profit from sale of land (TPRC Joint Arrangement)		(362,936)	(414,744)
Add: Depreciation on non-current assets	11(c)	13,917,901	11,717,502
<b>Non cash amounts excluded from operating activities</b>		<b>13,771,438</b>	<b>12,980,081</b>
<b>(b) Non-cash amounts excluded from investing activities</b>			
Less: Movement in liabilities associated with restricted cash - non operating grants		(282,726)	0
<b>(c) Surplus/(deficit) after imposition of general rates</b>			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
<b>Adjustments to net current assets</b>			
Less: Reserves - restricted cash	3	(10,976,525)	(10,542,430)
Less: Restricted non operating grant		(600,000)	(600,000)
Less: Shares transferred from non current to current asset		(11,000)	(11,000)
Less: Other Current Assets		(748,738)	0
Add: Current portion of lease liabilities		91,377	0
Add: Rates outstanding Non-current		405,356	0
Add: Borrowings	17(a)	887,431	6,097,295
Add: Infringement debtors transferred to non current asset		971,182	971,182
<b>Total adjustments to net current assets</b>		<b>(9,980,917)</b>	<b>(4,445,135)</b>
<b>Net current assets used in the Rate Setting Statement</b>			
Total current assets		24,697,755	19,051,213
Less: Total current liabilities		(12,594,339)	(17,206,633)
Less: Total adjustments to net current assets		(9,980,917)	(6,125,408)
<b>Net current assets used in the Rate Setting Statement</b>		<b>2,122,499</b>	<b>5,811,178</b>
<b>(d) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards</b>			
<b>Total current assets at 30 June 2019</b>			29,143,219
- Contract assets	29(a)		0
<b>Total current assets at 1 July 2019</b>			29,143,219
<b>Total current liabilities at 30 June 2019</b>			(17,206,633)
- Contract liabilities from contracts with customers	29(a)		15,920
- Contract liabilities from transfers for recognisable non financial assets	29(a)		0
- Rates paid in advance	29(b)		0
- Lease liabilities	29(c)		0
<b>Total current liabilities at 1 July 2019</b>			(17,190,713)



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## 27. FINANCIAL RISK MANAGEMENT

This note explains the City's exposure to financial risks and how these risks could affect the City's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The City does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

### (a) Interest rate risk

#### Cash and cash equivalents

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at 30 June and the weighted average interest rate across all cash and cash equivalents are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing
	%	\$	\$	\$	
<b>2020</b>					
Cash and cash equivalents	0.65%	7,539,213	0	3,526,385	4,012,828
<b>2019</b>					
Cash and cash equivalents	0.00%	6,969,088	0	0	6,969,088

#### Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

Impact of a 1% movement in interest rates on profit and loss and equity\*

\* Holding all other variables constant

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	35,264	0

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs.

The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 17(b).

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## 27. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### Trade and other Receivables

The City's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The City manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the City to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The City is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The City applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2020 was determined as follows for Sundry debtors & Infringement related debtors:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2020</b>					
<b>Sundry debtors</b>					
Expected credit loss	7.60%	9.90%	17.90%	45.00%	
Gross carrying amount	187,910	722	52,069	379,999	620,700
Loss allowance	14,281	72	9,320	170,998	194,671
<b>30 June 2019</b>					
<b>Sundry debtors</b>					
Expected credit loss	1.10%	7.60%	16.20%	37.10%	
Gross carrying amount	387,514	30,514	1,683	401,488	821,199
Loss allowance	4,263	2,319	272	148,952	155,806
<b>30 June 2020</b>					
<b>Infringement Debtors</b>					
Expected credit loss	1.81%	2.70%	4.00%	16.15%	
Gross carrying amount	58,542	30,743	5,033	2,587,208	2,681,526
Loss allowance	1,060	830	202	417,835	419,927
<b>30 June 2019</b>					
<b>Infringement Debtors</b>					
Expected credit loss	0.25%	1.20%	2.50%	14.70%	
Gross carrying amount	40,394	39,850	94,554	2,583,656	2,758,454
Loss allowance	100	477	2,364	379,797	382,738

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**27. FINANCIAL RISK MANAGEMENT (Continued)**

(c) Liquidity risk

**Payables and borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 17(c).

The contractual undiscounted cash flows of the City's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2020</b>					
Payables	6,303,949	0	0	6,303,949	6,702,481
Borrowings	887,431	3,224,440	4,692,525	8,804,396	8,804,396
Contract and Capital Grant Liabilities	534,289	0	0	534,289	534,289
Lease liabilities	91,377	163,440	0	254,817	254,817
	<u>7,817,046</u>	<u>3,387,880</u>	<u>4,692,525</u>	<u>15,897,451</u>	<u>16,295,983</u>
<b>2019</b>					
Payables	7,200,886	0	0	7,200,886	7,200,886
Borrowings	6,798,159	4,528,107	2,622,090	13,948,356	13,948,356
	<u>13,999,045</u>	<u>4,528,107</u>	<u>2,622,090</u>	<u>21,149,242</u>	<u>21,149,242</u>

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**28. TRUST FUNDS**

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2019	Amounts Received	Amounts Paid	Amounts transferred to Municipal fund	30 June 2020
	\$	\$	\$		\$
Leederville Gardens Inc. Trust	5,468,186	105,610	(599,800)	0	4,973,996
	5,468,186	105,610	(599,800)	0	4,973,996

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29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the current year, the City adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became mandatory and which were applicable to its operations.

(a) AASB 15: Revenue from Contracts with Customers

The City adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the City adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019):

	Note	AASB 118 carrying amount 30 June 2019	Reclassification	AASB 15 carrying amount 01 July 2019
		\$	\$	\$
<b>Contract liabilities - current</b>				
Contract liabilities from contracts with customers	14	0	15,920	15,920
Adjustment to retained surplus from adoption of AASB 15	29(d)	0	15,920	15,920

(b) AASB 1058: Income For Not-For-Profit Entities

The City adopted AASB 1058 Income for Not-for-Profit Entities (issued December 2016) in advance on 30 June 2019 resulting in accounting policies. In accordance with the transition provisions AASB 1058, the City adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes occurred to the following financial statement line items by application of AASB 1058 as compared to AASB 118: Revenue and AASB 1004: Contributions before the change:

	Note	1004 carrying amount 30 June 2019	Reclassification	AASB 1058 carrying amount 01 July 2019
		\$	\$	\$
<b>Capital grant liabilities</b>				
Other liabilities from transfers for recognisable non financial assets	14	0	282,726	282,726
Adjustment to retained surplus from adoption of AASB 1058	29(d)	0	282,726	282,726

CITY OF VINCENT  
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## 29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

	Note	2020 \$ As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	2020 \$ Compared to AASB 118 and AASB 1004
<b>Statement of Comprehensive Income</b>				
<b>Revenue</b>				
Rates	25(a)	35,678,835	398,532	36,077,367
Operating grants, subsidies and contributions	2(a)	2,010,681	368,289	2,378,970
Fees and charges	2(a)	15,718,899	0	15,718,899
Non-operating grants, subsidies and contributions	2(a)	1,381,848	166,000	1,547,848
Net result		(4,852,916)	932,821	(3,920,095)
<b>Statement of Financial Position</b>				
Trade and other payables	13	6,702,481	(398,532)	6,303,949
Contract and Capital Grants liabilities	14	534,289	(534,289)	0
Net assets		478,119,825	932,821	479,052,646
<b>Statement of Changes in Equity</b>				
Net result		(4,852,916)	932,821	(3,920,095)
Retained surplus		115,336,258	932,821	116,269,079

Refer to Note 2(a) for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

### (c) AASB 16: Leases

At 1 July 2019, the City only had short term leases that have been expensed during the year.

### (d) Impact of New Accounting Standards on Retained Surplus

The impact on the City's retained surplus due to the adoption of AASB 15, AASB 1058 and AASB 16 as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			118,881,460
Adjustment to retained surplus from adoption of AASB 15	29(a)	15,920	
Adjustment to retained surplus from adoption of AASB 16	29(c)	0	
Adjustment to retained surplus from adoption of AASB 1058	29(b)	282,726	
Retained surplus - 1 July 2019			298,646
			119,180,106



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### 30. CORRECTION OF ERROR

Balances relating to the 2019 comparatives have been amended due to the correction of prior year adjustments. These amendments have been amended as shown below and in accordance with the requirements of AASB 108, a statement of financial position as at the beginning of the earliest comparative period has been included (refer statement of financial position column labelled as at 1 July 2018).

#### Cash & Cash equivalents

The City disclosed 'Term deposits' with an original maturity greater than 3 months as a 'Cash and Cash equivalent' item on the balance sheet instead of disclosing as 'Other financial assets at amortised cost'. The restatement results in no change to the 'Net assets' & 'Total equity' position, however the opening cash balance at 1 July 2019 has been adjusted accordingly and incorporated into the cash flow statement for the period ending 30 June 2020. Refer to 30(a) below.

#### Depreciation - NIB stadium

As per Note 40 of the 30 June 2017 Audited financials, the City stopped depreciating assets relating to NIB stadium on the basis that the City bears no responsibility for maintenance or renewal at the stadium. However, given the City owns the asset, depreciation should have been charged in accordance with AASB 116 Property, Plant and Equipment. As a result, the City has recalculated the depreciation charge for these assets from 1 July 2017 up to 30 June 2020 and adjusted prior year amounts accordingly. Refer to Note 30(b), 30(c) and 30(d) below.

#### Mindarie Regional Council Joint Arrangement

Due to a prior year adjustment relating to the Joint Arrangement at Mindarie Regional Council, the City has restated its prior year figures. The restatement relates to the amortisation of the land fill facility managed by the entity. Refer to Note 30(c), 30(e) and 30(f) below.

#### Ratios

As a result of the prior year corrections, the ratios for 2018 and 2019 respectively have been restated. Refer to Note 33.

#### Changes to the Financial statements

Statement of Financial Position (Extract)	30 June 2018 \$	Increase/ (Decrease) \$	01 July 2018 (Restated) \$
(a) Cash and cash equivalents (Note 3)	20,866,019	(17,609,944)	3,256,075
Financial assets at amortised cost (Note 4(a))	0	17,609,944	17,609,944
<i>No net impact on the net assets</i>			
(b) Property, Plant and equipment	296,124,172	(2,011,043)	294,113,129
<b>Equity</b>			
Revaluation surplus	351,527,184	(307,081)	351,220,103
Retained Surplus	124,733,952	(1,703,962)	123,029,990

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(c) Statement of Comprehensive Income	30 June 2019 (Original)	Increase/ (Decrease)	30 June 2019 (Restated)
	\$	\$	\$
Expenses - by Nature or Type			
Depreciation on non-current assets	(11,361,319)	(2,011,043)	(13,372,362)
Net Share of Interest in Joint Arrangements	139,905	(4,226)	135,679
Expenses - by Program			
Recreation and Culture	(23,796,839)	(2,011,043)	(25,807,882)
Net Share of Interest in Joint Arrangements	139,905	(4,226)	135,679
Comprehensive income			
Net result for the period	(982,346)	(2,015,269)	(2,997,615)
Other Comprehensive Income			
Changes in asset revaluation surplus	99,736	(98,478)	1,258
Total comprehensive income	(882,610)	(2,113,747)	(2,996,357)
<b>Equity</b>			
Revaluation surplus	351,220,103	1,258	351,221,361
Retained Surplus	123,029,990	(4,148,530)	118,881,460
<b>Changes to Disclosure Notes</b>			
(d) Property, Plant and Equipment (Note 9(a))	30 June 2018 (Original)	Increase/ (Decrease)	01 July 2018 (Restated)
	\$	\$	\$
Carrying Amount			
Buildings	160,787,583	(2,011,043)	158,776,540
	30 June 2019 (Original)	Increase/ (Decrease)	01 July 2019 (Restated)
	\$	\$	\$
(e) Interest in Joint Arrangements (Note 23)			
Interest in Joint Arrangements	9,790,954	(102,704)	9,688,250
Mindarie Regional Council	5,981,614	(102,704)	5,878,910
(f) Revaluation Surplus (Note 12)			
Revaluation surplus - Joint Arrangement in Mindarie Regional Council	2,599,219	(307,081)	2,292,138

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**31. OTHER SIGNIFICANT ACCOUNTING POLICIES**

**a) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

**b) Current and non-current classification**

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the City's intentions to release for sale.

**c) Rounding off figures**

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

**d) Comparative figures**

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**e) Budget comparative figures**

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

**f) Superannuation**

The City contributes to a number of Superannuation Funds on behalf of employees. All funds to which the City contributes are defined contribution plans.

**g) Fair value of assets and liabilities**

Fair value is the price that the City would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

**h) Fair value hierarchy**

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

**Level 1**

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2**

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

**Valuation techniques**

The City selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the City are consistent with one or more of the following valuation approaches:

**Market approach**

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

**Income approach**

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

**Cost approach**

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the City gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

**i) Impairment of assets**

In accordance with Australian Accounting Standards the City's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

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**32. ACTIVITIES/PROGRAMS**

The City's operations as disclosed in these financial statements encompass the following service orientated activities/programs."

**GOVERNANCE**

This schedule details costs and revenues associated with Governance of the City. These include Members of Council and other costs involved in supporting members and governing the City.

**GENERAL PURPOSE FUNDING**

This schedule records details of rate revenue and general purpose grants allocated by the WA Local Government Grants Commission as well as expenditures associated with this (rates collection, investment of funds).

**LAW, ORDER, PUBLIC SAFETY**

This program covers costs associated with animal control, fire prevention and other law, order and public safety services generally associated with local law control.

**HEALTH**

This program covers health administration and inspection, child health clinics, immunisation clinics, food control and pest control services.

**EDUCATION AND WELFARE**

The major costs in this program relate to staff involved in coordinating welfare, disability and youth services and donations to various community welfare groups serving the City. The costs of maintaining pre-school premises are also included.

**COMMUNITY AMENITIES**

This program covers activities of household refuse and recycling, other sanitation including public litter bins and bulk rubbish collections as well as town planning and regional development administration, protection of the environment and bus shelters and street furniture.

**RECREATION AND CULTURE**

This program covers activities associated with public halls, recreation administration, sportsgrounds, parks and reserves. Beatty Park Leisure Centre, Vincent Library and cultural activities are included.

**TRANSPORT**

The principal operating areas here relate to maintenance of paths, drains, street cleaning, verges and medians, roads and kerbs, rights of way, crossovers, street trees and road reserves. Parking control and operation of car parks is also covered.

**ECONOMIC SERVICES**

This program covers costs associated with building control and area promotion.

**OTHER PROPERTY AND SERVICES**

This program is principally a clearing area where costs associated with public works overheads are accumulated and then subsequently dispersed to other expense areas. Other activities include general administration overheads, plant operation costs, insurance claims and properties held for civic purposes.

**CITY OF VINCENT**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

<b>33. FINANCIAL RATIOS</b>	<b>2020</b>	<b>Restated**</b> <b>2019</b>	<b>Restated**</b> <b>2018</b>
Current ratio	1.09	0.92	1.36
Asset consumption ratio	0.65	0.68	0.69
Asset renewal funding ratio	0.92	0.83	0.81
Asset sustainability ratio	0.45	0.30	0.36
Debt service cover ratio	1.23*	5.09	4.22
Operating surplus ratio	(0.12)	(0.08)	(0.10)
Own source revenue coverage ratio	0.87	0.90	0.93

\* The Debt service ratio has decreased compared to previous years due a significant balloon payment of \$5.3m for the loan relating to the DLGSC building. This ratio however is expected to normalise in the following years based on the expected repayments as per the City's debt portfolio.

\*\* As a result of the reversal of prior year depreciation charges relating to NIB stadium (Refer to Note 30(b)), the following ratios have been impacted: -

	<b>2019</b> <b>(Restated)</b>	<b>2019</b> <b>(Original)</b>	<b>2018</b> <b>(Restated)</b>	<b>2018</b> <b>(Original)</b>
Asset Sustainability Ratio	0.30	0.33	0.36	0.43
Operating Surplus Ratio	(0.08)	(0.05)	(0.10)	(0.06)
Own Source Revenue Ratio	0.90	0.93	0.93	0.96

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

**5.1 REGULATION 5 AND REGULATION 17 REVIEW REPORT AND RECOMMENDATIONS**

Attachments: 1. **Stantons Regs 5 and 17 Review Report** [↓](#) 

**RECOMMENDATION:**

That the Audit Committee recommends to Council that it:

1. **RECEIVES** the review pursuant to regulation 17 of the *Local Government (Audit) Regulations 1996* and regulation 5 of the *Local Government (Financial Management) Regulations 1996*, prepared by Stantons International, as at Attachment 1;
2. **NOTES** the key findings of the review, as detailed in this report; and
3. **NOTES** that the findings and management actions arising from the review have been added to the City's Audit Log.

**COMMITTEE DECISION ITEM 5.1**

**Moved: Mr Piper, Seconded: Cr Gontaszewski**

That the recommendation be adopted.

**CARRIED UNANIMOUSLY (5-0)**

**For:** Mr Manifis, Cr Wallace, Mr Piper, Cr Gontaszewski and Mr Smith

**Against:** Nil

**(Cr Topelberg was an apology for the Meeting.)**


**(Cr Loden was an apology for the Meeting.)**

**NOTES:**

An update on the implementation of the Contract Management Framework will be provided to the 2 March 2021 Audit Committee Meeting.

Stantons International Audit and Consulting Pty Ltd  
(ABN 84 581 519) trading as

**Stantons International**  
Chartered Accountants and Consultants



**Reviews pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996* and  
Regulation 5 of the *Local Government (Financial Management) Regulations***

November 2020

Liability limited by a scheme approved under  
Professional Standards Legislation

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## 1. Engagement Overview

### 1.1. Scope of Services

The City of Vincent (the City) is a Local Government Authority encompassing a number of vibrant inner-city suburbs with a steadily growing population. It operates under the *Local Government Act 1995* and associated *Local Government Regulations*. The City engaged Stantons International to provide the following services in relation to the requirements of Regulation 17 of the *Local Government (Audit) Regulations 1996* and Regulation 5(2)(c) *Local Government (Financial Management) Regulations 1996*

- Assess the systems and processes in place for the risk management process within the City;
- Assess the systems and processes in place for maintaining legislative compliance within the City;
- Evaluate the internal control systems and processes within the City
- Evaluate the financial management systems and processes within the City.

This review was undertaken in response to the above requirements.

### 1.2. Reviews Required by Legislation

Local Government regulations require the following:

Regulation 17 (reg. 17) of the *Local Government (Audit) Regulations 1996* provides that the CEO is to:

“review the appropriateness and effectiveness of a local government’s systems and procedures in relation to –

- (a) risk management; and
- (b) internal control; and
- (c) legislative compliance

... not less than once in every 3 financial years.”

The CEO is to report to the audit committee the results of the review.


Regulation 5 (reg. 5) of the *Local Government (Financial Management) Regulations 1996* provides that the CEO is to:

“undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.”

The last independent reviews were conducted in 2015.

**1.3. Overall Risk and Maturity Assessment**

Overall risk exposure of the City to matters of internal control/financial management, risk management and legislative compliance has been assessed as:	<b>MODERATE</b>
---	-----------------

 **Improved:**

- ✓ Existing, up-to-date but less robust, policies and procedures
- ✓ Adequately designed internal controls but not well implemented
- ✓ Controls operating effectively at times
- ✓ Information systems are in place, operating as intended and are actively building towards full integration
- ✓ Processes are well designed, interact with human resources well but with scope for more improvement.

**1.4. Summary of Findings and Recommendations**

Overall audit has found that in relation to internal control and financial management contract management requires improvement with the new policy and framework to be endorsed. Contracting reporting can be improved. User review of Phoenix and Authority users was not evident and needs to be performed. Asset stock counts need to include office furniture which is currently lacking. Improvements can also be made over credit acquittal timeframes, goods receipted workflow, recruitment request form approval and elimination of manual timesheets. Further, there is a lack of a formally documented IT security framework, change management, user training, staff screening, change control and document maintenance that needs addressing. Finally, the record keeping system can be reviewed for useability.

In terms of risk management, there were no issues noted. We acknowledge that the City has engaged Riskwest to provide risk management training with a focus on service area risks and facilitate business continuity scenarios. The City also intend on updating their Fraud and Corruption Prevention policy and create a Fraud Management Plan with LGIS reviewing both the policy and plan.

For legislative compliance the City was generally compliant with some minor issues including having a dedicated communication channel for receiving legislative changes and having procedures and systems internally reviewed.




**1.5. Overall City's Management Comment**

The City's systems and processes are maturing and can accommodate recommendations raised. The details of these action plans are provided under the finding and recommendation section below.

1.6. Overall Audit (STANTONS) Management Comment

Stantons accepts the provided action plans noted for each of the findings raised.

2. Maturity Assessment Criteria

 Needs Improvement	 Improved	 Mature
<ul style="list-style-type: none"> <li>✓ Adhoc, non existent, partially complete, out of date policies and procedures.</li> <li>✓ Inadequately designed and implemented Internal controls.</li> <li>✓ Controls not operating effectively as intended all the time.</li> <li>✓ Information systems are in place but not fully operational or well intergrated.</li> <li>✓ Processes are not fully designed and are fully dependent on human support.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Existing, up-to-date but less robust, policies and procedures.</li> <li>✓ Adequately designed internal controls but not well implemented.</li> <li>✓ Controls operating effectively at times.</li> <li>✓ Information systems are in place, operating as intended and are actively building towards full intergration.</li> <li>✓ Processes are well designed, interact with human resources well and with scope for more improvement.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Robust, up-to-date policies and procedures are in place.</li> <li>✓ Adequately designed well implemented controls are in place.</li> <li>✓ Controls operate effectively as intended</li> <li>✓ Information systems are in place, fully intergrated and operating effectively.</li> <li>✓ Processes are effectively designed and human resources rely on these to achieve objectives.</li> </ul>

3. Disclaimer

- i. *This report is prepared solely for City of Vincent's internal use. Copying and distribution of this report should be made with prior approval and consent from both Stantons International and the City of Vincent's representatives.*
- ii. *We have conducted our review in accordance with the applicable Performance Standards of the International Standards for the Professional Practice of Internal Auditing. This content of this report therefore represents independent view by Stanton's International purely on the audit evidence provided by the City of Vincent during audit fieldwork. Changes to the contents of the report without Stanton's involvement will render all contents less "independent" and unrepresentative of Stanton's position with regards to the contents contained therein.*

4. Risk Assessment Criteria

RISKS RATINGS	RATING INTERPRETATION	SUGGESTED TIMING OF IMPLEMENTING RECOMMENDATIONS
CRITICAL	The finding poses a severe risk to the City if not appropriately and timely addressed.	Commence remedial action immediately
MAJOR	The finding poses significant risk to the City if not appropriately and timely addressed.	Commence remedial action within 3 months
MODERATE	The finding poses less significant risk to the City if not appropriately and timely addressed.	Commence remedial action within 6 months
MINOR	The finding poses minimal risk to the City if not appropriately and timely addressed, the risk may develop more or cause other risks to develop.	Commence remedial action within 12 months

5. Limitation of Audit Scope

The audit is pleased to disclose that there were no aspects that resulted in a limitation of scope.

## 6. Details of Findings

### 6.1. Internal Control and Financial Management Review

The internal control review (per reg. 17) and the financial management review (per reg. 5) for the City covered the following systems and processes within the City. Audit assessed the adequacy of documented policies and procedures, approval authority requirements (delegations of authority), adequacy of separation of duties, periodic reconciliations performed, access controls, documentation maintained (record keeping) and adequacy of reporting and monitoring.

We noted from an overall policy and procedures perspective that the City has a significant number of policies requiring review and updating. In addition, outdated policies do not note an owner or the next review date. However, we noted that the City has documented a policy review plan noting all City policies that require revision. Audit expects that this process will be ongoing, and we noted that any policy the City has recently developed or updated notes a responsible officer for the policy and the next review date.

#### ▪ Receipting, Banking and Debtors

Through inquiry with relevant staff members, and the performance of walkthroughs, audit gained an understanding of the City's step-by-step receipting, banking and debtors systems and processes, noting the design and implementation of the controls operating within the City and the Authority system. It is worth noting, that the City's largest revenue stream, rates are managed within their own module in Authority and have their own specific procedures and process notes. To assess the operating effectiveness of the controls as well as transactional compliance with the City's documented receipting, banking and debtors policies and procedures, audit performed detailed walkthroughs and sample testing on each major revenue stream. Audit noted that the City has multiple revenue streams. Audit reviewed the following predominate revenue streams:

Rates and Charges: Income is generated from rates and charges levied on owners of residential and commercial property within the City. Rates and charges are levied annually, it is an automatic invoicing process referred to as the annual rates strike. Audit agreed a sample of rates and charges levied for the financial year end 2020 and agreed each rates invoice to the underlying supporting documentation and as receipted into the bank. Depending on how the owner paid their rates and charges, monies are receipted into Authority via the upload of external files from Australian Post, Bpay (Commbiz), Bpoint, E-services, Authority automatically matches the receipt with the corresponding transaction (assessment). Audit also examined other controls performed by the rates team members such as periodic exception reporting, valuation reconciliations, annual pool and bin register reconciliations. These controls check that individual assessments (an owners billing information) are correct prior to the rates strike. Audit also noted that the rates team perform a monthly rates module to general ledger reconciliation which is reviewed and approved by the financial services manager, the reconciliation also notes the percentage of rates balances outstanding to be collected.

Parking: Income is generated from charging users of the City's various carpark and kerbside parking facilities. Depending on how the user paid for their parking, the parking transactions are uploaded and receipted into Authority via files/reports received from SimplePay (parking paid via credit card), WestSure (parking paid via cash) or Ezidebit (parking paid via direct debit). Parking paid via the EasyPark app are invoiced monthly by the City. Audit agreed a sample of daily parking transactions entered into Authority to the underlying supporting documentation and as receipted into the bank.

Infringements: Income is generated from issuing fines to the public when there has been a breach of the City's Local Laws. Parking, dogs and property are the common infringement

type notices issued by the City. The City uses Ticketor, which is a ticketing software system. Each Ranger has a Ticketor portable device; this device is pre-set up with the different types of infringements and applicable fees/charge for each infringement type. Infringements transactions are uploaded into Authority via a daily file from the Ticketor system. Depending on how the user paid their infringement, monies are receipted into Authority via the upload of external files from Australian Post, Bpay (Commbiz), Bpoint, E-services and Authority automatically matches the receipt with the corresponding transaction (infringement). Audit performed a detailed walkthrough of the receipting process.

Beatty Park Leisure Centre: Income is generated from selling memberships, swim school classes, casual entries, merchandise and use of crèche facilities. Beatty Park Leisure Centre (BPLC) uses Phoenix, a standalone accounting system. BPLC transactions and receipts (other than direct debit) are booked into Authority via the cash report generated from the Phoenix accounting system being provided to the Finance team whom manually receipt the daily Phoenix transactions into Authority. Membership and swim school direct debit payments are captured via Ezidebit, the finance team compare the transactions per the Ezidebit report to Phoenix and manually receipt membership and swim school direct debits into Authority. Audit agreed a sample of BPLC cash reports to underlying supporting documentation (i.e. cash and EFTPOS reports) from Phoenix and as entered into Authority. We note that there was no evidence to demonstrate that a user review has been conducted over Phoenix.

Sundry Income: Sundry income is predominately leases, licence fees and charges relating to the City's facilities. Audit noted that standing invoices are primarily used to process these transactions. Invoices are automatically created at the start of every month, monies received into bank are manually receipted by the finance team. Audit agreed a sample of standing invoices to underlying supporting documentation (i.e. leases) and as receipted into bank. Audit noted that the finance team maintain an excel spreadsheet noting all standing invoices and the billing frequency. Audit also examined the monthly debtors report provided to the financial services manager for review.

A key control governing receipting and banking is the daily bank reconciliations that are performed by the finance team. Bank reconciliations are performed via the bank reconciliation module within Authority. Audit agreed a sample of bank reconciliations to underlying supporting documentation, noting they are reviewed and approved by the financial services manager.

▪ Purchasing, Payments and Creditors

Through inquiry with relevant staff members and performing walkthroughs, audit gained an understanding of the City's step-by-step purchasing, payments and creditors systems and procedures, noting the design and implementation of the controls operating within the City and the Authority system. To assess the operating effectiveness of these controls as well as transactional compliance with the City's policies and procedures, audit performed the following tests. Audit selected a sample of purchase transactions (invoices) of various values during the audit period, noting the various purchase orders approval thresholds within the City. Audit agreed this sample of invoice payments during the financial year end 2020 and agreed each payment to the underlying supporting documentation and as paid from the bank. Audit checked expenditure was genuine and that adequate approval was sought. Audit reviewed the fortnightly payment run process noting that all invoices and the remittance extract are provided to the financial services coordinator/ financial services manager for a subsequent review and approval. Actual payment from the bank was approved by two separate Commbiz authorisers. Audit also reviewed the accounts payable month end process, noting that a payment summary reconciliation is prepared monthly and reviewed and approved by the financial services manager, a summary of which is presented to the Council monthly.

Audit agreed a sample of new creditors to supporting documentation and noted the checks performed. Audit also noted new creditors are reviewed by the financial services coordinator/financial services manager during the fortnightly payment run approval process. The supplier database is only accessible by the procurement team.

We also noted during our walk throughs that users are not to delete own purchase requisitions, relying on others with the appropriate authority to perform this. This can lead to some inefficiencies.

▪ Credit Cards

Credit cards are only used for purchasing goods and services on behalf of the City. Audit tested a sample of credit cards issued during the financial year end 2020 and examined whether appropriate approval was sought. In addition, audit tested a sample of credit card acquittals agreeing the expenditure to underlying supporting documentation and as approved.

▪ Petty Cash

Petty cash is only used by the City for minor and incidental legitimate City expenses. Audit noted the following Petty Cash kitties are maintained within the City:

- Finance \$500
- Beatty Park Leisure Centre \$350
- CEO \$200
- Library \$400.

Petty cash is reimbursed by accounts payable on receipt of a Petty Cash Recoup form. Audit sampled Petty cash reimbursement agreeing to the underlying supporting documentation and as approved.

▪ Contract Management

Through inquiry with relevant staff members, and performing walkthroughs, audit gained an understanding of the City's contract management systems and processes, noting the design and implementation of the controls operating within the City and the Authority system. It is worth noting, that the City has recently implemented a contracts module within Authority as part of their contract management improvement process which commenced in late 2019. Audit obtained a copy of the new centralised contracts register maintained within the module noting that it is still a work in progress as some contracts were missing their contract value amounts and other important details such as contract start and end dates, supplier details, contract spend to date etc. Expenditure against each contract will now be tracked within the module as there is a function to select 'contract purchase' in the module when raising a requisition relating to an existing contract. In addition to this, they have also drafted an updated contract management policy and framework which are still under review and awaiting Council approval/endorsement. The contract management improvement process is still ongoing and is expected to be completed by December 2020. Audit also noted that the City has delivered training on the new contract management process and module. Audit agreed a sample of contracts per the contracts register to underlying supporting documentation such as Request for Quotation (RFQ), public advertisement or exemption to advertise, copies of offers received, letters issued to unsuccessful respondents, final signed version of contract issued, and contract spend-to-date.

During our audit we noted that City was unable to locate contract related supporting documents such as unsuccessful letters distributed to respondents and signed final version of contracts issued. However, the roll out of the new contract management process along with the training that had been provided will minimise the risk of contract documentation not being recorded and maintained accurately.

▪ Payroll and Personnel Processing (including timesheets)

Through inquiry with relevant staff members and performing walkthroughs, audit gained an understanding of the City's payroll and personnel processing processes, noting the design and implementation of the interface controls in place. The observed payroll and personnel processing processes can be categorised as follows:

- fortnightly payroll processing
- addition of new employees
- termination of current employees
- leave processing.

Audit selected a sample of fortnightly pay runs, new employees and terminated employees during the financial year end 2020. The sample was selected using random selection techniques. Audit assessed that payroll runs are adequately checked, approved and paid. Audit assessed that new employees and terminated employees are processed within Authority accurately and timely. We noted that the proposed recruitment request form requiring approval from Finance is currently in the process of being endorsed and rolled out.

▪ Asset Management

Assets greater than \$5,000 are capitalised at cost and subsequently recorded at fair value. Audit obtained the asset register and accompanying asset reconciliation performed at financial year end 2020. The annual asset reconciliation is signed as prepared and reviewed. Assets under \$5,000 are expensed immediately. However, these assets are still maintained on a register. As of March 2020, the onus for maintaining these registers was delegated to the individual services areas. Audit tested a sample of asset addition and disposal transactions during the financial year end 2020, agreeing transactions to underlying supporting documentation, noting the City's budget is the key control for capital expenditure. Capital expenditure for the upcoming financial year is agreed as part of the annual budgeting process. The budget is uploaded into Authority and subsequent capital expenditure is reconciled to the corresponding budget line item; any material variation is approved by the relevant Executive Director. Capital disposals and the forecasted proceeds are approved during the budgeting process also. Capital expenditure is also presented to the Council monthly.

The City is required to undertake a revaluation exercise (asset stock count) every five years. The City performs this by asset category on a rolling basis. Property, plant, and equipment was due to be counted during the financial year end 2020 but the process was delayed due to COVID-19 impact. Audit reviewed evidence of prior years' asset revaluation exercises performed with no issues noted.

During our audit the asset procedure was updated to reflect that the different business units that are now responsible for maintaining their own different areas maintaining their own register. Also, procedures were updated for stock count frequency and revaluation frequency, rolling basis for the different asset categories.

▪ Fringe Benefit Tax (FBT)

Audit noted that as part of the accounts payable process FBT transactions with an underlying FBT event are identified and noted in the FBT workbook. In addition, the City in conjunction with the Light Fleet Coordinator also reviews their fleet database for those motor vehicles that have been flagged as FBT reportable. All transactions relating to these motor vehicles are also transferred to the FBT workbook. This 'catch all' approach ensures the City reports all FBT events and include the resulting FBT balances in their annual FBT return. Separate tabs are set-up in the FBT Workbook for each identified FBT category. Our audit assessed the accuracy of FBT balances by discussing the process with the Financial Services Coordinator.



- GST (Goods and Services Tax)

GST is accurately charged and recorded against debtor invoices and claimed and recorded against creditor invoices within the system. Thus, GST balances used to populate the monthly BAS (Business Activity Statement) return is driven by the system. Our audit identified that the City performs monthly BAS reconciliations. The system has an inbuilt BAS processing module. As part of our Accounts Payable testing above audit agreed the GST (if applicable) on the sample invoices selected to the City's monthly BAS workings/return.

- IT Controls

The City has in place the "Developing Information Governance Program" document which refers to the *Local Government Act 1995* and the need to take governance seriously. According to the Information Governance Initiative, information governance is the activities and technologies that organisations employ to maximise the value of their information while minimising associated risks and costs. Information governance is defined as an organisation-wide framework for managing information throughout its lifecycle and supporting the organisation's strategy, operations, regulatory, legal, risk, and environmental requirements. It was noted that the document is still in a draft form pending approval. Driving this it was noted that the CEO KPIs 2019-2020 includes as an item the requirement to develop a new governance framework and supporting capability which promotes quality, timely and transparent decision making.

Supporting overall information governance are IT controls which consist of various policies and procedures that provide an appropriate framework and dictate the technical measures required to protect IT systems. We note that the City has a password policy that has been implemented within Active Directory but there is no formal document such as an IT Security Policy or equivalent that captures this. At present the password policy is what is currently configured based on numerous discussions with its service provider. For supporting IT policies such as end user computing, Internet policy, mobile equipment policy we note that the City has the Information and Communications Technology Conditions of Use document from 13 June 2000 that is quite old and hasn't been amended. It covers many areas such as use of facilities, hardware, internet, purchasing, software, antivirus, email/fax, and conditions of use but requires review and updating.

Supporting the IT security framework, it would be expected that there is some sort of user training or inductions for IT security, however it was advised that the City does not have anything formalised, however for new staff inductions it does include a basic introduction of the IT Services across City of Vincent. The formal training is currently in the planning stage and needs to be progressed. Further to detect if there are any issues with IT security there should be some level of vulnerability management including intrusion detection and prevention systems but these are not in place. Further to validate the bona fides of staff with high levels of financial delegation or have high levels of system access, the use of background checks and police checks are normally recommended, however at present this does not occur at the City. Further, there was no formal evidence of Authority and Phoenix user reviews.

We also noted in terms of IT controls there are no formal mechanisms to control changes to IT systems such as a change advisory board or equivalent. The use of an ad hoc change control mechanism may lead to adverse impact of systems if changes are not properly assessed and approved. This may require the restoration of previous versions or reliance on the Disaster Recovery Plan in a worst-case scenario. There is a Disaster Recovery Plan in place which was created in 2018 but is yet to be reviewed / renewed for 2020. It covers all key aspects of IT but will require review to confirm it caters for any recent changes in IT infrastructure and systems.

There is a Business Continuity Plan in place for the Civic Centre and Works Depot (version 2) which does not cover Beatty Park. The purpose of the Business Continuity Plan is to set out

the principles to be followed, actions to be taken and resources to be used in responding to an incident that could result in prolonged disruption of services and business activities of the City located in Civic Centre. This plan is designed to address significant disruptions to entire workflows or processes that result from a total infrastructure outage or denial of access to the work premise. We note that the City has engaged Riskwest to perform a business continuity scenario exercise testing the Business Continuity test. Further during COVID-19 the entire office was cleared, and everyone worked from home which was in effect a live test of the plan. Each team was still able to provide the various services as needed.

Overall, in terms of IT controls we note that although technically the City has implemented many controls, there is a distinct lack of a formal IT security framework which would generally guide the technical measures required. Further there is a distinct lack of preventative and detective controls in relation to IT such as vulnerability management and the validation of employees in sensitive positions. Further there is no ongoing testing of the BCP nor a regime to ensure supporting IT documents are kept up to date.

Assessment

Our review entailed an overview of the above areas, assessing key controls and considering whether the systems and procedures in place are appropriate and effective for the City's current level of operations and structure. Audit concludes the internal control environment is deemed adequate based on our understanding and review of the systems and processes in place, with the exception of contract management however, audit acknowledges that the City is aware of the inadequacies within this area and has already commenced an improvement plan. To further strengthen the control environment, the review has highlighted the need to improve system access review and complete the review and updated various City policies. Further findings are documented below together with recommendations that we believe would assist the City to further strengthen their financial management and internal control environment.

FINDINGS & RECOMMENDATIONS	RISK RATING	CITY'S COMMENTS
<p>1. The City's previous contract management processes were inadequate. Contracts were currently managed within the different business units leading to poor oversight by the City on existing contracts, the City had no assurance that contracts were being managed adequately and spending was in accordance with the City's delegations or if there were duplicate contracts in place providing identical/similar services/goods. However, the City is currently in the process of improving their contract management processes by implementing a new contract management module in Authority, and creating a new contract management framework reflecting this new process</p> <p><b>RECOMMENDATION</b></p> <p>Audit recommends that the City promptly review and present to Council the revised contract management policy and contract</p>	<p>MODERATE</p>	<p>Administration has focused on improving contract management over the last 12 months, which has included the implementation of a new contract's management module in Authority and creation of a contract register in Authority. A contract management framework has also been drafted and will be presented to Executive Management Committee early next year. Training will then be rolled out to all staff that manage contracts at the City.</p> <p><b>Responsible Person:</b> Executive Financial Services Manager  <b>Completion Date:</b> 30 June 2021</p>

management framework outstanding to be endorsed.		
<p>2. The City does not centrally report and monitor the status of current contracts or review the effectiveness of their management or check for any ongoing issues.</p> <p><b>RECOMMENDATION</b></p> <p>Audit recommends that the City regularly report contract spending, upcoming contract expiry dates, contract variations or extensions or any contentious contract issues to senior management, this could be done via the weekly Corpex or monthly EMC meetings. The transition to the contract management module within Authority should easy facilitate the compiling of this information so it can be reported.</p>	MODERATE	<p>Management will ensure that information relating to new contracts, contracts to expire in the next 6 months, any contracts that have contentious issues and any contract with excess spend will be included in EMC's monthly reporting.</p> <p><b>Responsible Person:</b> Executive Financial Services Manager  <b>Completion Date:</b> 31 March 2021</p>
<p>3. There was no evidence that random live tests of user access are performed over the Phoenix system at Beatty Park.</p> <p><b>RECOMMENDATION</b></p> <p>The City should randomly review user access on the Phoenix system to ensure it is line with what the actual user requirements.</p>	MODERATE	<p>The City will conduct an access review immediately and then schedule 6 monthly reviews of all users on Phoenix.</p> <p><b>Responsible Person:</b> Manager Beatty Park Leisure Centre  <b>Completion Date:</b> 31 December 2020</p>
<p>4. The City's current asset policy and related asset procedures do not reflect the recent changes the City made requiring the different service areas to maintain their own asset register for assets less than \$5,000.</p> <p><b>RECOMMENDATION</b></p> <p>Audit recommends the City updates their asset process to reflect that asset registers for assets less than \$5,000 are to be maintained by the different services areas.</p>	MINOR	<p>The City's asset procedure will be updated, and training and guidance will be provided to staff on the basics of asset management, including maintenance of asset register for assets less than \$5,000.</p> <p><b>Responsible Person:</b> Executive Manager Financial Services  <b>Completion Date:</b> 31 March 2021</p>
<p>5. The City's current asset policy and asset procedures do not disclose the City's procedure for counting and revaluing assets. The City currently counts and revalues assets by category on an annual rotating basis.</p> <p><b>RECOMMENDATION</b></p> <p>Audit recommends the City updates their asset process to reflect that the City counts and revalues assets by category on an annual rotating basis.</p>	MINOR	<p>The City currently revalue assets every 3-5years as per the requirement of the Financial Management Regulations. The City's asset procedure will be updated, and training and guidance will be provided to staff on the basics of asset management, including verification of assets.</p> <p><b>Responsible Person:</b> Executive Manager Financial Services  <b>Completion Date:</b> 31 March 2021</p>

<p>6. Through our inquiries regarding asset stock counts and sighting assets within the City's premises, audit noted that assets (office furniture) are not tagged or barcoded.</p> <p><b>RECOMMENDATION</b></p> <p>Assets not tagged and barcoded cannot be counted correctly. All assets should be barcoded.</p>	<p>MODERATE</p>	<p>Tagging or barcoding of assets will not be utilised, as an alternative Administration will ensure all asset registers are maintained for assets less than \$5000 by the respective manager. Finance will conduct a compliance testing and accuracy of these asset registers every 6 months. The asset procedures will also include verification of assets to be conducted.</p> <p>IT Equipment, asset register for portable assets is in the process of being updated on a new software, Asset Sonar. This work has commenced in March.</p> <p><b>Responsible Person:</b> Executive Manager Financial Services Executive Manager Information and Communication Technology <b>Completion Date</b> 31 March 2021</p>
<p>7. The City's proposed recruitment request form requiring approval from Finance is not yet endorsed and rolled out.</p> <p><b>RECOMMENDATION</b></p> <p>The City endorse and enforce the use of the proposed recruitment request form and this will ensure all necessary business units are aware of employees being recruited outside of approved positions.</p>	<p>MINOR</p>	<p>The new Recruitment Request Form which includes sign off from Finance for all vacant positions and fixed term appointments was implemented in September 2020.</p> <p><b>Responsible Person:</b> Executive Manager Human Resources <b>Completion Date:</b> Actioned</p>
<p>8. The City uses manual timesheets, predominately for those employees who work in the depot and recreational leisure centre.</p> <p><b>RECOMMENDATION</b></p> <p>The use of manual timesheets should be eliminated, it is worth noting that the City has already noted this as a finding within their own audit log.</p>	<p>MODERATE</p>	<p>The City requires a robust online time-sheeting system which is fit for purpose of a casual workforce (i.e. Beatty Park) that is flexible, easy to use and aligned to the relevant cost centres and employment.</p> <p>Administration has determined that Civica's online time-sheeting module will be suitable for the City. The module however can only be implemented once work orders are activated as part of the Chart of Accounts project scheduled for completion in July 2021. Online time-sheeting will have a mobile option as well. The scoping of this project will be requested to commence in March next year with implementation in December 2021.</p> <p><b>Responsible Person:</b> Executive Manager Human Resources,</p>

		Executive Manager Information and Communication Technology <b>Completion Date:</b> 31 December 2021
<p>9. There was no evidence of formal review of users' access privileges to Authority to ensure that users do not have access to unsuited functions/modules. IT</p> <p><b>RECOMMENDATION</b></p> <p>The City should randomly review user access to ensure it is line with what the actual user requires. The City should regularly review every users' access privileges to Authority to ensure that users do not have access to unsuited functions/modules, this could also include reviewing financial delegations within Authority</p>	MODERATE	<p>In response to this finding, the City has commissioned a project with Civica (vendor for Authority software) to provide 'Authority User Access and Security Restructure'. The overall objectives of the project are to provide:</p> <ul style="list-style-type: none"> <li>• A structured, consistent and more easily understood Authority security model</li> <li>• Better visibility of user access and permissions</li> <li>• Simpler administrative management control of users and permissions</li> </ul> <p>The project has been estimated to run for 8 – 10 weeks. The City is reviewing scheduling with Civica given several other Authority changes already in motion, in particular the software upgrade from version 6.11 to 7.1. If Civica is not able to commit additional resources to this project in early 2021, completion will be aligned to 7.1 go live in August 2021.</p> <p><b>Responsible Person:</b> Executive Manager Information and Communication Technology <b>Completion Date:</b> 31 August 2021</p>
<p>10. IT Controls are lacking across a few areas including a formal IT security framework or policy, out of date supporting policies, user training, vulnerability management, staff screening, change control, BCP testing and document maintenance.</p> <p><b>RECOMMENDATION</b></p> <p>IT Controls need enhancement including the creation of an IT security framework or policy, ensuring supporting policies such as the Information and Communications Technology Conditions of Use is reviewed and updated, implementing user security training, having vulnerability management such as an intrusion prevention and detection system. Also there needs to be staff screening implemented for sensitive position holders (high financial delegations/high system privileges), formal</p>	MODERATE	<p>Agree. The City will formalise its draft Information Security Program to document and govern security training, vulnerability management, change control and continuity testing. (<i>align to OAG Finding 5</i>).</p> <p><b>Responsible Person:</b> Executive Manager Information and Communication Technology <b>Completion Date:</b> 31 March 2021</p>

<p>change control such as a change advisory board, defined BCP testing regime and ensuring IT documents are maintained and kept up to date.</p>		
<p><b>11.</b> Poor retrievability of information, audit noted the term 'container' used. Record keeping of contract documentation is inefficient and leads to poor retrievability. The record keeping system does not facilitate the use of sub folders which results in all documented related to a subject/topic being saved in a 'container'. With regards to contracts, there are a large number of supporting documentation within these 'containers' thus it can take some time to retrieve the sought after document. IT</p> <p><b>RECOMMENDATION</b></p> <p>The City should review useability of their record keeping system ensuring that it is operating effectively.</p>	<p>MINOR</p>	<p>Agree. The City will review its record keeping system to ensure it is operating effectively.</p> <p><b>Responsible Person:</b> Executive Manager Information and Communication Technology <b>Completion Date:</b> 31 March 2021</p>
<p><b>BUSINESS IMPROVEMENT</b></p>		
<ol style="list-style-type: none"> <li>1. For procurement process efficiency allow user to delete own purchase requisition.</li> <li>2. For payment run process efficiency activate Authority's goods receipting function across all goods and services.</li> </ol>		

## 6.2. Risk Management Review

The risk management process involves the systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording and reporting risk. Audit noted that the City has a risk management policy in place which sets the tone for the City's risk management approach and establishes the risk management responsibilities of Council members and City employees. Audit noted that the City has a dedicated corporate governance function whom are responsible for risk management and have adopted an organisation-wide risk management approach to identifying and managing risks associated with the performance of the City's functions and the delivery of services. Audit noted that the City has documented its risk management framework (referred to as an administrative procedure) which further defines the systems and processes in place in the City, enabling their risk management process and facilitating them in achieving their strategic, operational and project objectives. Audit noted that the policy has been approved by Council and the Administration Procedure will be approved by the Executive at the end of the year after updating. Riskwest has been engaged to assist in this process.

Audit noted that the previous reg. 17 review found risk management procedures and systems to be incomplete, no longer current, lacking in consistency and implementation and only partially appropriate but generally ineffective. However, audit noted per discussions with staff members from the corporate governance function that the City has put in considerable effort in establishing their risk management process over the past year. On identifying that their risk management procedures and systems were incomplete the City set out establishing risk management practices. Audit noted the achievement of the following risk management activities over the past year:

1. Setting the City's risk context (i.e. risk appetite) – audit noted that the City engaged a third party consultant to develop the City's risk appetite and tolerance statements. Audit noted that the risk context has been endorsed by Council on 16<sup>th</sup> June 2020.
2. Reconfirming the City's risk policy – audit noted that the City's risk management policy was updated and re-endorsed by Council and the executive team. Audit noted that the risk policy provides risk consequence and likelihood criteria, a risk classification matrix, and a risk rating and management matrix.
3. Documenting the City's risk management framework – as noted above this framework will be approved by the Executive. Once approved the City will communicate the risk management framework across the organisation and embed it into the City's practices and processes.
4. Risk management training – audit noted the City engaged a third party consultant (Riskwest) to conduct workshops with the Council, Audit Committee and executives/staff members on such risk topics as risk education, strategy and planning, risk appetite, and risk register development. Going forward risk management training will be provided to staff commencing at induction. In addition, regular risk management awareness information will be communicated via the Vintranet.
5. Development of a corporate risk register – audit noted the City engaged a third-party consultant to prepare a corporate risk register for the City. Details noted for each identified risk (register includes both strategic and operational risks) include risk category and description, impact analysis, current risk management strategy, required risk management actions, risk owner and timeframe. Audit noted that the corporate risk register will be progressed. Risks are report to EMC each month and Audit Committee at each meeting. The Audit Committee approves the risk management actions for high and extreme risks.
6. Identified risks have been aligned to service area deliverables per the updated SoaPs – audit noted that the City's SoaPs have been updated to include the risks and issues for each service are deliverable.

All material risk management matters are reported to the City's Audit Committee whom are positioned to monitor risk management. Only high and extreme risks per the corporate risk register will be presented to the Audit Committee which are held every two months. However, the complete corporate risk register will be presented at the Executive Management Committee (EMC) meeting each month.

Audit noted that the City has a Fraud and Corruption Prevention policy in place, however it requires review, the existing policy notes a February 2018 review date. The City currently has no reporting system or management plan in place for fraud and misconduct risks. As part of the policy review these too should be developed and implemented. It is worth noting that these inadequacies are noted as findings on the City's audit log. Audit noted the following response (action) from the City per their audit log: '*Governance will review the City's current Fraud and Corruption Prevention Policy. The City will investigate systems and processes to report, review and manage any potential fraud, including anonymous reporting and the escalation of fraud reporting. The proposed implementation date is December 2020. Human Resources with the support of Governance will develop and implement an online fraud awareness training program to be completed by all staff. New staff will be required to complete the training as part of their online induction process and current staff will receive notification to complete the training annually via the induction portal. Development of the training program will commence in September 2020 and requires linkage to the Fraud Management Plan and Risk Management Framework*'. The risk identification process is the most important aspect of risk assessment. The application of all other aspects for risk assessment is dependent on the accuracy and completeness with which risks are identified. Raising awareness and providing adequate training on the topic of risk management is key to rigor in risk identification which is essential to effective risk management. Audit noted that Riskwest has been engaged to provide risk management training with a focus on service area risks and facilitate business continuity scenarios. The City also intend on updating their Fraud and Corruption Prevention policy and create a Fraud Management Plan with LGIS reviewing both the policy and plan.

As noted under 7.1 above the City has a Business Continuity Plan in place. It was developed in March 2020 and will be reviewed annually.

It is also worth noting that the City has a dedicated Occupational Safety and Health (OSH) contact as well as an OSH Committee whom meet quarterly. In addition to this the LGIS provide health and safety support and meet with the City's OSH contact bi-monthly.

#### Assessment

Audit concludes that the Risk Management Policy and Framework are well documented and cover all the key requirements per *AS/NZ ISO 31000 Risk Management Standard*. Audit identified that the newly developed risk management procedures and systems are adequate by design but the overall effectiveness of these procedures and systems have not been assessed as they have only just been developed and yet to be fully implemented.



### 6.3. Legislative Compliance Review

A robust compliance culture stems from organisational value which emphasises commitment to legal and regulatory compliance, integrity and business ethics. Audit noted that the City has a dedicated corporate governance function whom are responsible for legislative compliance. Senior staff within this function are actively engaged with relevant local government agencies such as WALGA (Western Australia Local Government Association), the Department of Local Government and other Local Governments whom offer advice and support in this area. Senior staff also attend professional forums and workshops on this topic ensuring they are kept up-to-date with any legislative changes. All legislative compliance matters are reported to the City's Audit Committee whom are positioned to monitor legislative compliance.

Audit noted that the outcome per the previous reg. 17 review found legislative compliance procedures and systems were found to be largely inappropriate and ineffective. What was lacking was a systematic process through which legislated requirements were identified, responsibility for compliance allocated, and the required compliance actions validated and reported against. However, audit noted per discussions with staff members from the corporate governance function that the City recently development and adopted a compliance calendar which implements a structured and systematic process to managing legislative compliance and thus addresses this finding. Audit noted that the compliance calendar notes all of the City's required compliance actions by month along with the business unit (i.e. service area) responsible for the completion the required compliance action. The calendar will also capture the status (including date of completion) of each compliance action and a reference to evidence validating completion. The compliance calendar will be reviewed annually to ensure any legislative changes or updates that have occurred are captured in the compliance calendar. Audit noted that compliance obligations are also embedded within the City's Service Plans, referred to as SoaPs (Service on a Page). Every service provided by a service area (i.e. business unit) has a SoaP which outlines the required deliverables for that service. These deliverables are aligned to the underlying legislative requirements (if the deliverable is driven by legislation). Embedding compliance responsibilities into the SoaP will support compliance obligations being submitted on a timely basis.

Audit also noted that the City has also recently developed and implemented a corporate calendar. This calendar is effectively an annual forward agenda for the City noting the commencement, completion and reporting of key activities and deliverables. The corporate calendar will assist the City with maintaining legislative compliance and notes when some of the City's key documents relevant to legislative compliance are reviewed and reported to the Audit Committee and to Council.

It is also worth noting that internally, the City maintains a strong documentation base to assist staff with their management of compliance with applicable legislation. This includes Local Laws, a Code of Conduct, and various policies and management guidelines. All of these documents highlight the various legislative requirements that are applicable to ensure readers are fully aware of their obligations and how they link back to the applicable legislation.

Like all local governments the City is usually notified by WALGA of any key changes or updates to legalisation. Audit noted that the City does not appear to have a dedicated communication channel for receiving information on these legislative changes and updates and this information could be received via any number of channels. To ensure the City is promptly aware of any legislative changes or updates a dedicated communication channel should be used to receive such information. Those external agencies that provide such information should be directed to use this dedicated communication channel. The City already has a dedicated governance email and through our discussions with staff members from the

corporate governance function it was suggested that this email address be used to receive such information.

The City is mandated under the Local Government Act 1995 and Local Government (Audit) Regulation 14 to undertake an annual Compliance Audit Return which is to be submitted to the Department of Local Government prior to 31 March each year. A selected review of the 2019 and 2018 Returns noted that the City reported three and two areas of non-compliance respectively. Audit noted that remedial action was taken immediately by the City and the City is in fact largely compliant. Audit noted that all registers, as required by legislation, are maintained and kept in good order, other than the Contracts register which is currently being worked on by the City and is estimated to be completed by the end of this calendar year.

**Assessment**

Audit concludes that the legislative compliance component of the City’s overall governance framework has evolved in recent years and the City has now formalised its legislative compliance control procedures. Audit observed that the commitment by the City’ leadership to fully comply with legislative requirements is reflected in the recent development and implementation of its compliance and corporate calendars along with the linkage of service deliverables to underlying legislative requirements per the SoaPs. In addition, the City’s robust systems of internal controls and appropriate risk management further mitigates and prevents non-compliance. However, the review has found the below findings and recommendations which audit believe would assist the City to further strengthen their legislative compliance responsibilities.

FINDINGS & RECOMMENDATIONS	RISK RATING	CITY’S COMMENTS
<p><b>12.</b> The City does not have a dedicated communication channel for receiving legislative changes/updates.</p> <p><b>RECOMMENDATION</b></p> <p>Audit recommends the City identifies a dedicated communication channel (i.e. the City’s governance email address) to receive information on any legislative changes or updates. This email address should be communicated to all those external agencies who inform the City of any legislative changes or updates. This ensures that no legislative change or update is overlooked, delayed being implemented or even missed all together.</p>	<p>MODERATE</p>	<p>Agree. Administration has now established the <a href="mailto:governance@vincent.wa.gov.au">governance@vincent.wa.gov.au</a> as the dedicated channel, and advised WALGA so that all updates are received and collated in a systematic manner.</p> <p><b>Responsible Person:</b> Executive Manager Corporate Strategy and Governance  <b>Completion Date:</b> Actioned</p>
<p><b>13.</b> Legislative compliance procedures and systems are not internally reviewed and audited.</p> <p><b>RECOMMENDATION</b></p> <p>Audit recommends when developing the City’s strategic audit plan, legislative compliance reviews should be included to be performed, this will also cover off on the City’s future requirements to perform legislative compliance reviews under reg. 17. However, it is worth noting that the City has identified quarterly compliance auditing as a recommendation per</p>	<p>MINOR</p>	<p>Agree. This will form part of the annual internal audit program.</p> <p><b>Responsible Person:</b> Executive Manager Corporate Strategy and Governance  <b>Completion Date:</b> 30 April 2021</p>

their own risk management, internal control, and legislative compliance improvement plan.		
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## Appendix A - Definitions and Acronyms

Acronyms	Stands for:
The City	City of Vincent
WALGA	Western Australia Local Government Association
EMC	Executive Management Committee
FBT	Fringe Benefits Tax
GST	Goods and Service Tax
BAS	Business Activity Statement
SoaPs	Service on a Page
PO	Purchase Order



**5.6 ICT AUDIT****Attachments: Nil****RECOMMENDATION:****That the Audit Committee recommend to Council that it:**

- 1. NOTES status updates to the two Significant findings actions arising from the Office of the Auditor General's Audit findings identified during the information systems (ICT) audit for the period 1 July 2019 – 30 June 2020.**

**COMMITTEE DECISION ITEM 5.6****Moved: Cr Gontaszewski, Seconded: Cr Wallace****That the recommendation be adopted.****CARRIED UNANIMOUSLY (5-0)****For:** Mr Manifis, Cr Wallace, Mr Piper, Cr Gontaszewski and Mr Smith**Against:** Nil**(Cr Topelberg was an apology for the Meeting.)****(Cr Loden was an apology for this Item.)**

**5.4 REVIEW OF THE CITY'S AUDIT LOG**

Attachments: 1. Audit Log as at 24 November 2020  

**RECOMMENDATION:**

That the Audit Committee recommends to Council that it **NOTES** the status of the City's Audit Log as at 1 December 2020, at Attachment 1.

**Moved:** Cr Gontaszewski, **Seconded:** Mr Piper

That the recommendation be adopted.

**AMENDMENT 6**

**Moved:** Cr Gontaszewski, **Seconded:** Mr Piper

That a recommendation be added as follows:

**2. NOTES the amendment to the proposed completion date for the following items:**

- 1) EA 2020/10 (1) (a) and (b) – Office of the Auditor General Information Systems Audit – Database Security
- 2) EA 2020/10 (3) Office of the Auditor General Information Systems Audit - Segregation of Duties
- 3) EA 2020/10 (4) - Office of the Auditor General Information Systems Audit – Information Security Policy
- 4) EA 2020/10 (9) - Office of the Auditor General Information Systems Audit - Authority User Review Process
- 5) EA 2020/10 (12) - Office of the Auditor General Information Systems Audit – Unauthorised Device Connections
- 6) EA 2020/10 (18) - Office of the Auditor General Information Systems Audit – Contract Management
- 7) EA 2020/10 (20) - Office of the Auditor General Information Systems Audit - Business Continuity Plan - Testing

**AMENDMENT CARRIED (5-0)**

**For:** Mr Manifis, Cr Wallace, Mr Piper, Cr Gontaszewski and Mr Smith

**Against:** Nil

**(Cr Topelberg was an apology for the Meeting.)**

**(Cr Loden was an apology for this Item.)**

**COMMITTEE DECISION ITEM 5.4**

That the Audit Committee recommends to Council that it:

1. **NOTES the status of the City's Audit Log as at 1 December 2020, at Attachment 1.**
2. **NOTES the amendment to the proposed completion date for the following items:**
  - **EA 2020/10 (1) (a) and (b) – Office of the Auditor General Information Systems Audit – Database Security**
  - **EA 2020/10 (3) Office of the Auditor General Information Systems Audit - Segregation of Duties**
  - **EA 2020/10 (4) - Office of the Auditor General Information Systems Audit – Information Security Policy**
  - **EA 2020/10 (9) - Office of the Auditor General Information Systems Audit - Authority User Review Process**
  - **EA 2020/10 (12) - Office of the Auditor General Information Systems Audit – Unauthorised Device Connections**
  - **EA 2020/10 (18) - Office of the Auditor General Information Systems Audit – Contract Management**
  - **EA 2020/10 (20) - Office of the Auditor General Information Systems Audit - Business Continuity Plan - Testing**

**CARRIED UNANIMOUSLY (5-0)**

**For:** Mr Manifis, Cr Wallace, Mr Piper, Cr Gontaszewski and Mr Smith

**Against:** Nil

**(Cr Topelberg was an apology for the Meeting.)**

**(Cr Loden was an apology for this Item.)**

**NOTES:**

Conley Manifis left the Committee Room at 4.05pm and re-joined the Meeting electronically.



# CITY OF VINCENT AUDIT LOG

AUDIT DETAILS	MANAGEMENT RESPONSE	ACTION	PROPOSED COMPLETION DATE
<p><b>EA: 2019/7</b>  <b>Office of the Auditor General's Performance Audit 2019 - Fraud Prevention in Local Government - Findings and Recommendations</b></p> <p><b>Finding:</b>                      1. Entities have not implemented a coordinated approach to manage their fraud risk.                      2. Entities could make themselves more fraud resistant if they strengthen their controls; and                      3. Better reporting avenues would help entities detect and respond to fraud.</p> <p><b>Recommendation:</b>                      Develop a fraud and corruption control plan and review at least every 2 years.</p> <p><b>Risk Rating (prior to controls):</b>                      High</p> <p><b>Risk Rating (with current controls):</b>                      High</p>	<p><b>Responsible Officer:</b>                      Executive Manager Corporate Strategy and Governance</p> <p><b>Comments:</b>                      Governance will review the City's current Fraud and Corruption Prevention Policy and prepare a control plan which incorporates this policy. The proposed implementation date for the plan is June 2020. The plan will be reported to Audit Committee annually and updated as required.</p>	<p><b>November 2019:</b>                      Governance to engage a consultant to undertake review and implementation of the fraud control plan in January 2020.</p> <p>The two-yearly review of the plan will be included in the compliance calendar.</p> <p><b>February 2020:</b>                      Yet to commence. Further resourcing or a consultant is required.</p> <p><b>March 2020</b>                      Initial discussions with City of Nedlands in respect to a shared resource / consultant have occurred, but currently on hold due to change in priorities due to COVID-19.</p> <p><b>June 2020</b>                      No progress to date</p> <p><b>July 2020</b>                      No progress to date.</p> <p><b>August 2020</b>                      No progress to date.</p> <p><b>October 2020</b>                      No progress to date.</p> <p><b>November 2020</b>                      The updated draft policy and fraud and corruption control plan have been drafted. The updated policy is subject to Council approval and public consultation..</p>	<p><del>30/06/2020</del></p> <p>31/12/20</p>

# CITY OF VINCENT AUDIT LOG

<p><b>EA: 2019/8</b>  <b>Office of the Auditor General's Performance Audit 2019 - Fraud Prevention in Local Government - Findings and Recommendations</b></p> <p><b>Finding:</b>  1. Entities have not implemented a coordinated approach to manage their fraud risk.  2. Entities could make themselves more fraud resistant if they strengthen their controls; and  3. Better reporting avenues would help entities detect and respond to fraud.</p> <p><b>Recommendation:</b>  Develop and implement a periodic fraud awareness and training program</p> <p><b>Risk Rating (prior to controls):</b>  High</p> <p><b>Risk Rating (with current controls):</b>  High</p>	<p><b>Responsible Officer:</b>  Executive Manager Corporate Strategy and Governance  Executive Manager Human Resources</p> <p><b>Comments:</b>  Human Resources with the support of Governance will develop and implement an online fraud awareness training program to be completed by all staff. New staff will be required to complete the training as part of their online induction process and current staff will receive notification to complete the training annually via the induction portal.</p>	<p><b>November 2019:</b>  Development of the training program will commence in September 2020. Requires linkage to the Fraud Management Plan and Risk Management Framework.</p> <p><b>February 2020:</b>  No progress to date.</p> <p><b>March 2020</b>  No progress to date</p> <p><b>June 2020</b>  No progress to date</p> <p><b>July 2020</b>  No progress to date. Note that this will be developed in conjunction with the control plan referred to above.</p> <p><b>August 2020</b>  No progress to date. Note that this will be developed in conjunction with the control plan referred to above.</p> <p><b>October 2020</b>  No progress to date.</p> <p><b>November 2020</b>  Training material is being developed, in line with the City's draft plan and policy. Training has been scheduled for February and March 2021 for all staff. The training materials will also form part of the City's induction program.</p>	<p style="text-align: right;"><del>30/9/2020</del></p> <p style="text-align: right;">31/12/2020</p>
<p><b>Review of DPLH's investigation into legislative non-compliance - unauthorised works at Banks Reserve</b>  Development of an internal procedure detailing the approvals required for works or maintenance on land within the Swan River Foreshore, Development Control Area and Aboriginal Heritage Areas.</p> <p>Provide training for relevant staff on the approvals required.</p> <p><b>Risk Rating (prior to controls)</b>  Medium</p> <p><b>Risk Rating (with current controls)</b>  Low</p>	<p><b>Responsible Officer:</b>  Executive Manager Corporate Strategy and Governance</p>	<p><b>August 2020</b>  Internal procedure to be drafted and training organised.</p> <p><b>October 2020</b>  On track.</p> <p><b>December 2020</b>  The internal procedure has been drafted and a workshop with the Department of Planning, Lands and Heritage scheduled for relevant staff in early December to discuss the approvals required and processes.</p>	<p style="text-align: right;">31/12/2020</p>

CITY OF VINCENT AUDIT LOG

<p><b>EA:2020/10 (1) (a) and (b)</b>  <b>Office of the Auditor General Information Systems Audit – Database Security</b></p> <p><b>Finding:</b>                  We performed a high level security test on key business application (Authority) database and found the following:</p> <ul style="list-style-type: none"> <li>• The database server is missing software updates since 2012, which have been released by the vendor.</li> <li>• Data encryption is not used to protect highly sensitive information.</li> <li>• Database logging and auditing is not in place to monitor and record system changes. As a result, any changes made directly in the database are not captured.</li> <li>• The "PUBLIC" role has default grant privilege on database objects within the Authority database.</li> <li>• The database has not been securely hardened.</li> </ul> <p><b>Implication</b>                  Without appropriate database security controls, the confidentiality, integrity and availability of sensitive information may be compromised.</p> <p><b>Recommendation</b>                  The City should review and enhance its database management processes to:</p> <ul style="list-style-type: none"> <li>• ensure updates to address known vulnerabilities are applied in a timely manner</li> <li>• assess the risks around storing sensitive information in plain text</li> <li>• review logging and alerting user activities to ensure sensitive data security</li> <li>• review assigned public roles within the database and remove those not needed</li> <li>• based on a risk assessment, hardened database security and improve monitoring controls.</li> </ul> <p><b>Risk Rating (prior to controls)</b>                  High</p> <p><b>Risk Rating (with current controls)</b>                  High</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  The response will have two phases:</p> <p><b>(a) Phase 1</b></p> <p>Short/medium-term remediation will be made where possible:</p> <ol style="list-style-type: none"> <li>Database server software updates. A project to upgrade the database was postponed in 2019 when it was merged into a larger project to upgrade the entire Authority software solution. The Authority upgrade project is currently on hold until a project dependency (chart of accounts upgrade) is completed (now due June 2021). To fast-track response to this audit finding, the database upgrade will again be separated from the Authority upgrade project and commenced as soon as can be scheduled with the vendor.</li> <li>Database hardening will be reviewed and applied as part of 1a) above.</li> <li>Database logging and auditing will be enabled in line with an improvement to data backup/recovery services used by the City.</li> </ol> <p><b>(b) Phase 2</b></p> <p>Long-term remediation will be achieved via an Authority software upgrade project already commissioned with the vendor. Several findings relate to vendor software architecture – these will need to be added to an operational risk register (to be developed per OAG Finding 6) and resolved as part of the software upgrade:</p> <ol style="list-style-type: none"> <li>All sensitive information will be encrypted</li> <li>The use of grant privilege for the PUBLIC role will be eliminated</li> </ol> <p><b>December 2020:</b>                  In cooperation with the software vendor, Civica, Phases 1 and 2 have been re-joined with a revised completion date of August 2021. The Authority upgrade project (including database security) has now commenced.</p>	<p>March 2021</p> <p>March 2022</p> <p>August 2021</p>
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**CITY OF VINCENT AUDIT LOG**

<p><b>EA:2020/10 (2)</b>  <b>Office of the Auditor General Information Systems Audit – Vulnerability Management</b></p> <p><b>Finding</b>                  We found that the City has not established adequate policies or procedures around management of vulnerabilities on servers and workstations. Furthermore, the City is not undertaking regular vulnerability assessments on their IT systems. These assessments are required to ensure the effective identification of vulnerabilities and to support the patch management processes.</p> <p>In addition, vulnerability assessments completed as part of the audit identified 56 critical and 47 high vulnerabilities relating to missing service packs and/or software, which is no longer supported by the vendor.</p> <p><b>Implication</b>                  Without having effective procedures for identifying, assessing and addressing potential vulnerabilities within a timely manner, the system and/or data may not be adequately protected against potential threats. These vulnerabilities could be exploited and may result in unauthorised access to sensitive data or the loss of system operation.</p> <p><b>Recommendation</b>                  The City should develop effective vulnerability management processes. As part of the process, the City should carry out regular vulnerability assessments. These assessments should use appropriate tools to ensure all known vulnerabilities are identified. The vulnerability assessment process should include all relevant IT systems, IT infrastructure and applications.</p> <p>Software updates (patches) to fix known vulnerabilities should be evaluated, tested and where appropriate, applied to systems within a timely manner. Documented policy and procedure guides should be maintained to ensure IT staff are meeting requirements.</p> <p>If decisions are made not to install any critical or security patches, the risk must be understood and any possible alternative mitigations investigated. Relevant details should also be recorded in an appropriate patch register/database.</p> <p><b>Risk Rating (prior to controls)</b>                  High</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  Administration's software patching processes have matured; however, vulnerability testing is still a gap. Administration will respond with two new ongoing activities provided as a managed service:</p> <ol style="list-style-type: none"> <li>1. The introduction of a monthly vulnerability assessment process,</li> <li>2. Monthly reporting of vulnerabilities with remediation actions &amp;/or mitigations</li> </ol> <p><b>December 2020:</b>                  On track. Remediation work from OAG vulnerability findings is being applied. An ongoing vulnerability management process for the City is being implemented.</p>	<p>December 2020</p>
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CITY OF VINCENT AUDIT LOG

<p><b>EA:2020/10 (3)</b>  <b>Office of the Auditor General Information Systems Audit – Segregation of Duties</b></p> <p><b>Finding</b>                  We found that segregation of duties (SoD) is not enforced within the Authority system. Additionally, the SoD matrix which details specific roles is also not being maintained.</p> <p><b>Implication</b>                  Without SoD appropriately enforced within the system, there is an increased risk that individuals can perform a number of conflicting functions. This may result in an increased number of errors or possibly lead to fraud.</p> <p><b>Recommendation</b>                  The City should develop an appropriate SoD matrix for the Authority system. This matrix should be used to ensure that no users are assigned multiple roles that would be considered high risk or conflicting. A formal review process should ensure that no user is assigned any conflicting duties. A formal record of completed reviews should be maintained.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p> <p><b>Related Audit Query</b>                  EA 2020/12 (14), EA 2020/12 (9), EA 2020/10 (9)</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  In September 2020 Administration commissioned a change with the Authority software vendor to help clean-up access roles. This will make the allocation of access to various roles/groups more efficient and in turn help Administration formally develop and apply a segregation of duties matrix.</p> <p><b>December 2020</b>                  On track. Work with the software vendor, Civica, is scheduled in mid-December.</p>	<p><del>February 2021</del></p> <p>31 August 2021</p>
<p><b>EA:2020/10 (4)</b>  <b>Office of the Auditor General Information Systems Audit – Information Security Policy</b></p> <p><b>Finding</b>                  We found that the City does not have an adequate <i>Information Security Policy</i> to cover key areas of information security. The current policy is in draft as the City is in the process of developing it.</p> <p><b>Implication</b>                  Without adequate policies and procedures, there is an increased risk that the City will not achieve its objectives for information security. Additionally, staff may not be aware of management expectations relating to security of information.</p> <p><b>Recommendation</b>                  The City should reviewing and update its current policies and procedures or develop new ones appropriately address all relevant areas of information security. Management should endorse the new policies and notify all employees and relevant stakeholders of updates.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p> <p><b>Related Audit Query</b>                  EA 2020/12 (10)</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  As noted in the Finding, Administration has a draft Information Security Program and will seek to formalise it and align all security activities and improvements to it. The document is based on standards used by the Office of the Auditor General during this audit.</p> <p><b>December 2020</b>                  The Information Security Program will be tabled at Executive Management Committee in December 2020. Completion of this activity is now aligned to training outcome in EA 2020/10(6)</p>	<p><del>December 2020</del></p> <p>March 2021</p>

**CITY OF VINCENT AUDIT LOG**

<p><b>EA:2020/10 (5)</b>  <b>Office of the Auditor General Information Systems Audit – Operational ICT Risks</b></p> <p><b>Finding</b>                  We found that the City’s ICT risks have not been appropriately identified. The current IT risk register is limited to high-level business continuity risks and does not include the broader listing of operational risks and controls associated with IT functions.</p> <p><b>Implication</b>                  An incomplete risk register limits the ability to assess the effectiveness of specific controls against risk and their treatments. This could result in control gaps going undetected and/or control deficiencies left unresolved.</p> <p><b>Recommendation</b>                  The City should expand on its information risk management process to ensure:</p> <ul style="list-style-type: none"> <li>• the ICT risks within the risk register are up to date and maintained</li> <li>• all relevant risks are appropriately documented in the ICT risk register</li> <li>• the ICT risk management process aligns with the broader organisation risk register</li> <li>• controls are appropriately assessed and assigned relevant ratings in line with internal guidelines.</li> </ul> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology                  Executive Manager Corporate Strategy &amp; Governance</p>	<p><b>October 2020</b>                  Developing and maintaining a broad register of ICT operational risks will be formally included inside a managed services agreement. Administration will maintain risk ownership while managed service resourcing will help coordinate risk maintenance and controls.</p> <p><b>December 2020</b>                  On track. An initial review of operational risks is in progress.</p>	<p>January 2021</p>
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**CITY OF VINCENT AUDIT LOG**

<p><b>EA:2020/10 (6)</b>  <b>Office of the Auditor General Information Systems Audit – Information Security Training and Awareness</b></p> <p><b>Finding</b>                  We found that the City does not have a formalised induction training and an ongoing awareness program covering information security responsibilities and cyber risks relevant to the City.</p> <p>We note that the City informs its staff about phishing scams via emails.</p> <p><b>Implication</b>                  Without a formal induction training and ongoing information security awareness program, there is an increased risk that individuals will not understand security risks relevant to the City and their personal responsibilities. This may result in inappropriate actions, which affect the confidentiality, integrity and availability of information.</p> <p><b>Recommendation</b>                  The City should establish an appropriate induction and ongoing information security awareness program. The program should be used to help maintain awareness of the information security and cyber risks relevant to the City. It should also ensure individuals are aware of their personal responsibilities for information security. The awareness program should be updated regularly so it stays in line with policies, procedures and any new or emerging threats. It should also incorporate any lessons learned from information security incidents along with relevant details from information security good practices.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  Administration will establish induction training and an ongoing information security awareness program.</p> <p><b>December 2020</b>                  Training is now aligned to delivery if IS Policy in EA 2020/10(4).</p>	<p>March 2021</p>
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CITY OF VINCENT AUDIT LOG

<p><b>EA:2020/10 (7)</b>  <b>Office of the Auditor General Information Systems Audit – Network Access Management</b></p> <p><b>Finding</b>                  We found the current process to disable and review network access accounts is not operating effectively. We identified 6 active accounts belonging to terminated employees, and 2 have accessed the system after their termination date.</p> <p><b>Implication</b>                  Without effective procedures to review and disable user accounts, there is an increased risk of unauthorised access to the City’s IT systems and/or information.</p> <p><b>Recommendation</b>                  The City should enhance their current network access review process. It should ensure that exiting staff notifications are provided to service desk in a timely manner and actioned appropriately.</p> <p>In addition, regular reviews of all system user access should be undertaken (e.g. checking the last login date, accounts that have never logged in etc.). Any accounts that are identified as no longer required or those which have not accessed the system for an agreed period should be appropriately removed or disabled. The City should also investigate those employees’ accounts that were used after their termination.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  Administration will improve its off-boarding processes to ensure that system access is only ever available to authorised users. System access reviews and investigations will be formally included inside a managed services agreement.</p> <p><b>December 2020</b>                  On track. Additional monitoring of HR termination processes has been added to operations. Automated reporting and review yet to be developed.</p>	<p>January 2021</p>
<p><b>EA:2020/10 (8)</b>  <b>Office of the Auditor General Information Systems Audit – Logging and Monitoring</b></p> <p><b>Finding</b>                  We found that the City does not have formalised policies or procedures for logging and review of security logs for network, applications and remote access.</p> <p><b>Implication</b>                  Without effective system logging and pro-active monitoring of logs, there is an increased risk that any potential problems, trends or ongoing attempts to compromise system or data will not be identified.</p> <p><b>Recommendation</b>                  We recommend that the City implements appropriate levels of monitoring activities on its ICT environment. Key systems that control or restrict user access or process and store sensitive data, the following should be considered:</p> <ul style="list-style-type: none"> <li>• Implement policy and procedure guides on what monitoring and logging will be performed.</li> <li>• Review log files on a regular basis to identify any suspicious events or activities.</li> <li>• Storing log files in a secure location to prevent any unauthorised alterations or deletions.</li> </ul> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  Monitoring and logging policy and procedure will be defined against the Information Security Program (per OAG Finding 5). Review of logs will be formally included inside a managed services agreement. Log file storage will be in a secure location.</p> <p><b>December 2020</b>                  On track. Additional storage is being procured to help manage log file retention and security. Policy and review processes yet to be developed.</p>	<p>January 2021</p>



CITY OF VINCENT AUDIT LOG

<p><b>EA:2020/10 (9)</b>  <b>Office of the Auditor General Information Systems Audit – Authority User Review Process</b></p> <p><b>Finding</b>                  The City does not have a routine process to review users with access to Authority application.</p> <p><b>Implication</b>                  Without appropriate user access management controls, there is an increased risk of unauthorised access. This may impact the confidentiality, integrity and availability of the City's information.</p> <p><b>Recommendation</b>                  The City should develop, document and implement appropriate application user account management practices.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  In line with OAG Finding 3, monthly reports will be provided to key Authority managers to review and approve users based on a segregation of duties matrix.</p> <p><b>December 2020</b>                  The City has commissioned a project with the software vendor, Civica, to provide "Authority User Access and Security Restructure". The overall objectives of the project are to provide:</p> <ul style="list-style-type: none"> <li>• A structured, consistent and more easily understood Authority security model</li> <li>• Better visibility of user access and permissions</li> <li>• Simpler administrative management control of users and permissions</li> </ul> <p>The project has been estimated to run for 8 – 10 weeks and is now aligned to Authority upgrade project schedule to complete in August 2021.</p>	<p>February 2021</p> <p>31 August 2021</p>
<p><b>EA:2020/10 (10)</b>  <b>Office of the Auditor General Information Systems Audit – Authority Event Monitoring</b></p> <p><b>Finding</b>                  We found that there are no formalised requirements for pro-active or regular review of event logs generated by key business application (Authority) to identify unauthorised access or malicious activity.</p> <p><b>Implication</b>                  Without effective pro-active monitoring of high-risk events, there is an increased risk that any potential problems, trends or ongoing attempts to compromise systems or data will not be detected.</p> <p><b>Recommendation</b>                  Based on an assessment of risks, the City should formalise a process to monitor and review key events in business applications.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  An Access Report will be developed on a monthly basis for key Authority managers, aligned to the user review process per OAG Finding 10. Any trends or access concerns will be identified such that email/sms alerts can be created for more immediate notification/action.</p> <p><b>December 2020</b>                  On track. A user access report is being developed.</p>	<p>February 2021</p>

CITY OF VINCENT AUDIT LOG

<p><b>EA:2020/10 (11)</b>  <b>Office of the Auditor General Information Systems Audit – Unsupported Operating System</b></p> <p><b>Finding</b>                  The City currently has over 10 servers and workstations running unsupported operating systems. These include Windows Server 2008 R2 Enterprise, Windows Server 2008 and Windows 7 for which Microsoft ceased support on 14 January 2020 and 14 July 2015.</p> <p>Our review identified that those systems were active in March 2020 during the audit conduct.</p> <p><b>Implication</b>                  Unsupported operating systems no longer receive security and/or vulnerability updates from the product vendor. As a result, there is an increased risk that these systems are susceptible to exploits, which may compromise the City network and systems.</p> <p><b>Recommendation</b>                  We recommend that all devices running unsupported operating systems be upgraded to supported system. If this is not possible due to operational needs, alternate mitigations must be applied.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  All Windows 7 systems have now been decommissioned. Windows Server 2008 systems will be decommissioned as part of the Authority upgrade project noted in OAG Finding 1. Given the estimated completion time of the Authority upgrade project, the risk of maintaining Windows 2008 systems will be included in the risk register to be developed against OAG Finding 6.</p> <p><b>December 2020</b>                  On track per the adjusted timeframe for completion of OAG Finding 1 (Database security).</p>	<p>January 2021</p> <p>August 2021</p>
<p><b>EA:2020/10 (12)</b>  <b>Office of the Auditor General Information Systems Audit – Unauthorised Device Connectivity</b></p> <p><b>Finding</b>                  We found that the City does not have adequate controls in place to restrict the use of unauthorised devices on their network.</p> <p><b>Implication</b>                  Without appropriate controls in place to restrict the use of unauthorised devices on the network, there is an increased risk that they could be used to attack internal systems.</p> <p>Additionally, unauthorised devices that connect to the network could result in the spread of malware to the City's network.</p> <p><b>Recommendation</b>                  The City should review the risks to their network and implement appropriate controls to prevent and detect the use of any unauthorised IT devices.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  The City is progressively moving to a "WIFI only" network for the majority of devices. The City's WIFI network is currently configured to meet this security restriction requirement. The wired network will itself be upgraded to support certificate-based access as part of a communications upgrade project due to complete in early 2021.</p> <p><b>December 2020</b>                  The City has completed a review of infrastructure and configurations relevant to this finding. A communications upgrade project will require phased implementation as approx. \$250k - \$300k in costs will span into the next financial year (requiring new budget approval).</p> <p>A phased approach has been planned. Phase 1 utilises existing resources to initially audit and restrict the use of unauthorised devices on their network. Phases 2 and 3 will be required to implement controls to further prevent and detect the use of any unauthorised IT devices.                  Phase 1 – Port audit and physical lock down                  Phase 2 – Administration building upgrades                  Phase 3 – Library, Beatty Park, Depot upgrades</p>	<p>February 2021</p> <p>February 2021                  June 2021                  December 2021</p>

**CITY OF VINCENT AUDIT LOG**

<p><b>EA:2020/10 (13)</b>  <b>Office of the Auditor General Information Systems Audit – Network Device Management</b></p> <p><b>Finding</b>                  We reviewed the City's firewalls and network device (routers, switches) management process and found the following issues:</p> <ul style="list-style-type: none"> <li>• Devices are not securely managed.</li> <li>• The firewall logs are not appropriately configured.</li> </ul> <p><b>Implication</b>                  Without appropriate controls to manage the network devices, there is an increased risk that:</p> <ul style="list-style-type: none"> <li>• individuals will not be accountable for any unauthorised or unintentional modifications to the system</li> <li>• unauthorised access to the system could occur</li> <li>• malicious traffic may not be detected and prevented</li> <li>• suitable evidence to support any forensic or internal investigations may not be available</li> <li>• user credentials may be intercepted and used to gain access to the City's IT systems and information.</li> </ul> <p><b>Recommendation</b>                  The City should implement an appropriate process to securely manage and configure network devices.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Low</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  Several changes have now been implemented to follow recommended access account controls and logging configuration. Additional security improvements to meet system access recommendations will be reviewed further and either modified or logged against an operational risk register to be developed per OAG Finding 6.</p> <p><b>December 2020</b>                  On track. Device access has been reviewed and improved. Firewall log configuration has been improved. The City is now assessing a system upgrade that can help identify and prevent malicious network traffic.</p>	<p>January 2021</p>
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**CITY OF VINCENT AUDIT LOG**

<p><b>EA:2020/10 (14)</b>  <b>Office of the Auditor General Information Systems Audit – Data Centre Management</b></p> <p><b>Finding</b>                  The City does not have adequate policies or documented procedures defining responsibility for managing the primary data centre, and access management processes (e.g. request, approve, and review access to data centre).</p> <p>Furthermore, we found that non-IT related hardware were located in the data centre room.</p> <p><b>Implication</b>                  Without adequate protection of IT systems against physical threats there is an increased risk of unauthorised access to systems, and accidental or deliberate damage.</p> <p><b>Recommendation</b>                  The City should:</p> <ul style="list-style-type: none"> <li>• develop appropriate data centre access management policies and procedures</li> <li>• restrict the number of staff who can access the room</li> <li>• perform regular access reviews and remove inappropriate users in a timely manner. Records of the reviews should be retained.</li> <li>• only store IT-related hardware in the room.</li> </ul> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  Data centre security improvements will be made to include card-only access. If possible, CCTV recording will also be introduced as part of a separate building security initiative. Review of access logs will be formally included inside a managed services agreement. All non-IT related hardware will be removed from the data centre.</p> <p><b>December 2020</b>                  On track. CCTV and card-only access initiatives have been scoped and included in building improvement initiatives. Data centre clean-up has begun.</p>	<p>January 2021</p>
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**CITY OF VINCENT AUDIT LOG**

<p><b>EA:2020/10 (15)</b>  <b>Office of the Auditor General Information Systems Audit – Change Management</b></p> <p><b>Finding</b>                  We found that the City does not have a formal change management process in place. We identified the following issues:</p> <ul style="list-style-type: none"> <li>• There is no IT change management policy or procedure that sets out the overall objectives and requirements for change management to ensure all IT system changes are appropriately controlled and managed.</li> <li>• The responsibilities to manage, co-ordinate and approve IT changes are not formally assigned.</li> <li>• There is no central register for recording and tracking details of all internal changes that are made to IT infrastructure, firewall rules and systems, including application upgrades.</li> </ul> <p><b>Implication</b>                  There is a risk that without change management policies and procedures, changes made to IT systems may not be adequately managed and authorised. The availability or security of IT systems could be compromised should a change negatively impact them.</p> <p><b>Recommendation</b>                  The City should:</p> <ul style="list-style-type: none"> <li>• develop an appropriate IT change management policy or procedure. The policy should set out the overall objectives and requirements for change management process</li> <li>• outline appropriate change management role and/or responsibilities to manage, co-ordinate and approve IT changes</li> <li>• make sure all IT system changes are accurately recorded, managed and tracked in a centralised change register.</li> </ul> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  A draft Change Management Policy was provided during the audit. Change Management processes will be formalised per the Information Security Program noted in OAG Finding 5; the register for recording and tracking changes will be formally included inside a managed services agreement.</p> <p><b>December 2020</b>                  On track. Procurement Plan approved for managed services. Request to market planned for late November.</p>	<p>January 2021</p>
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**CITY OF VINCENT AUDIT LOG**

<p><b>EA:2020/10 (16)</b>  <b>Office of the Auditor General Information Systems Audit – Incident and Problem Management</b></p> <p><b>Finding</b>                  We found that there is no standardised process in place to manage IT related incidents.                  Furthermore, the City does not have a formal process to outline problem management to appropriately manage IT problems, which occur in its IT environment. In addition, data from incidents is not analysed to identify known errors or problems.</p> <p><b>Implication</b>                  If IT incidents are not consistently managed, there is an increased risk that the City may not be able to manage or respond to incidents appropriately. Additionally, the City may not be able to evaluate and analyse the trends for continuous improvement and problem management.                  In addition, without effective IT problem management there is an increased risk that the City will not identify and appropriately address the root cause of reoccurring IT incidents. This may impact IT system and service availability and may potentially affect the City's business operations.</p> <p><b>Recommendation</b>                  The City should develop formal incident management processes to ensure all incidents are appropriately and consistently classified. In addition, the City should develop service desk reporting and trend analysis. These reports should be reviewed by the appropriate management so the performance of the incident management process can be monitored.</p> <p>Furthermore, the City should establish an appropriate IT problem management process. This process should ensure IT problems are appropriately identified and investigated. Once the root cause has been identified, appropriate action should be taken to address the problem and prevent the reoccurrence of incidents.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  This finding will be added to an operational risk register to be developed per OAG Finding 6. Recognising its available resources, Administration is most likely to mitigate this risk through existing Service Desk processes that capture and manage incidents and problems as general requests. Administration will, however, introduce additional registers to formally record incidents and log the root-cause of problems – this will be aligned to creation of the risk register to be developed per OAG Finding 6, with incident/problem register review included inside a managed services agreement.</p> <p><b>December 2020</b>                  On track. Procurement Plan approved for managed services. Request to market planned for late November.</p>	<p>January 2021</p>
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CITY OF VINCENT AUDIT LOG

<p><b>EA:2020/10 (17)</b>  <b>Office of the Auditor General Information Systems Audit – IT Asset Management</b></p> <p><b>Finding</b>                  We found that the City’s IT asset management process is not effective. The following issues were identified:</p> <ul style="list-style-type: none"> <li>• The City does not have up to date IT asset register information and relevant asset details such as asset status and owner are not recorded.</li> <li>• The City does not have any formal procedure to ensure that all sensitive data and licensed software has been removed or securely overwritten as part of the disposal and re-use of IT assets process.</li> </ul> <p><b>Implication</b>                  Without an effective IT asset management process there is an increased risk that IT assets will be lost or stolen.</p> <p>Without appropriate procedures to manage the disposal and re-use of IT assets, there is a higher risk that sensitive data may not be removed or securely erased. As a result, the City may suffer financial loss and damage to its reputation.</p> <p><b>Recommendation</b>                  The City should:</p> <ul style="list-style-type: none"> <li>• establish an effective IT asset management process. This process should ensure IT assets are appropriately managed throughout their lifecycle (from acquisition to disposal)</li> <li>• relevant information on IT assets accurately recorded and maintain relevant information about IT assets in the IT asset register. Periodic audits of IT asset information against physical IT assets should be undertaken to ensure the information is accurate and up to date. Any anomalies with IT assets should be appropriately rectified</li> <li>• ensure that all IT assets containing storage media are appropriately sanitised or destroyed as part of the disposal process. Accurate documentation and records relating to IT asset disposals must be maintained.</li> </ul> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Low</p> <p><b>Related Audit Query</b>                  EA 2020/12 (6)</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  Administration notes that an ICT asset management system was already being introduced during the time of audit and will capture all physical and software/license assets. IT asset management acquisition, tracking and disposal processes will be formalised per the Information Security Program noted in OAG Finding 5.</p> <p><b>December 2020</b>                  On track. System registration of assets is progressing and now tracks ownership of all staff devices. Along with data sanitisation, WA State Supply Commission guidelines will be used for disposal of goods: <i>ethically, equitably, efficiently and safely, in a manner that maximises a value outcome for government whilst minimising any negative impacts of disposal of the good</i></p>	<p>May 2021</p>
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CITY OF VINCENT AUDIT LOG

<p><b>EA:2020/10 (18)</b>  <b>Office of the Auditor General Information Systems Audit – Contract Management</b></p> <p><b>Finding</b>                  We found that the City’s contract management process is not effective. We identified that:</p> <ul style="list-style-type: none"> <li>the City does not have an up-to-date <i>Contract Management Framework</i> and contract register</li> <li>the configuration of the new contract management system is under development and the relevant staff are not fully aware of the functionality of the system. As a result, there is no comprehensive contract reporting in place.</li> </ul> <p>We acknowledge that the City recently established a centralised contract management tool and <i>Contract Management Framework</i> is in draft.</p> <p><b>Implication</b>                  Without an appropriate contract management process, the City is at a higher risk of failing to identify:</p> <ul style="list-style-type: none"> <li>unsuitable working arrangements with vendors, which may result in a failure to realise business benefits</li> <li>unexpected cost increases or inappropriate practises in a timely manner</li> <li>unauthorised access or changes to the contract register.</li> </ul> <p><b>Recommendation</b>                  The City should:</p> <ul style="list-style-type: none"> <li>review its <i>Contract Management Framework</i> and, where appropriate, centralise vendor management practices</li> <li>develop suitable guidelines to manage the City’s contract register</li> <li>complete regular supplier performance reviews of all vendors as required. Records of reviews should be retained</li> <li>maintain records of all contracts within its contract management system, including key financial details relevant to the contracts</li> <li>complete the access and system configuration of its new contract management system. Subsequently, review access to the system and monitor key contract financial information regularly.</li> </ul> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Related Audit Query</b>                  EA 2020/12 (1)</p>	<p><b>Responsible Officer:</b>                  Executive Manager Financial Services</p>	<p><b>October 2020</b>                  The noted draft Contract Management Framework and system will be completed, formalised and communicated to staff.</p> <p><b>December 2020</b>                  Administration has focused on improving contract management over the last 12 months, which has included the implementation of a new contract’s management module in Authority and creation of a contract register in Authority. A contract management framework has also been drafted and will be presented to Executive Management Committee early next year. Training will then be rolled out to all staff that manage contracts at the City.</p>	<p>March 2021</p> <p>June 2021</p>
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<p><b>EA:2020/10 (19)</b>  <b>Office of the Auditor General Information Systems Audit – Disaster Recovery Plan</b></p> <p><b>Finding</b>                  We found that the City does not have an ICT disaster recovery plan (DRP).</p> <p><b>Implication</b>                  Without an adequate DRP and appropriate testing, there is an increased risk that key business functions and processes may not be restored in a timely manner after a disruption, affecting the operations of the City.</p> <p><b>Recommendation</b>                  The City should develop and test its DRP to confirm that systems can be recovered in accordance with business expectations and key staff should be familiar with the plan and their specific roles and responsibilities in a disaster situation. The results of testing should be recorded, and the relevant actions taken to improve the plan where necessary.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  Administration will introduce managed backup and infrastructure services that include disaster recovery capability. Disaster recovery and information security continuity processes will then be formalised per the Information Security Program noted in OAG Finding 5. A formal plan will then be prepared for publication to staff and testing purposes.</p> <p><b>December 2020</b>                  On track. Procurement Plan approved for managed services. Request to market planned for late November.</p>	<p>April 2021</p>
<p><b>EA:2020/10 (20)</b>  <b>Office of the Auditor General Information Systems Audit – Business Continuity Plan – Testing</b></p> <p><b>Finding</b>                  We found that appropriate tests of the business continuity plan (BCP) have not been undertaken. Due to the lack of testing, the effectiveness of the plans and the City's ability to execute them is unknown.</p> <p><b>Implication</b>                  Without appropriate testing of the BCP there is an increased risk that key business functions and processes may not operate as expected during a major incident. In addition, the key business functions may not be appropriately recover following a major incident. This is likely to impact business operations and the delivery of key services.</p> <p><b>Recommendation</b>                  The City should undertake appropriate tests to verify the effectiveness of the BCP. These tests should also verify that key staff are familiar with the plans and their specific roles and responsibilities in a disaster situation. The results of these tests should be recorded and the relevant actions taken to improve the plan where necessary.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  Administration notes that there has been 0% interruption to non-library/recreational facility services throughout COVID-19 disruptions in Perth. COVID-19 has been a major incident and required significant change to how business functions operated. City staff who continue to work remotely are effectively testing part of the City's business continuity systems on a daily basis. Through improvements to data backup and infrastructure recovery noted in OAG Finding 20, Administration will expand business continuity testing to include system and infrastructure incidents as part of a managed services agreement.</p> <p><b>December 2020</b>                  On track per EA:2020/10 (19) above. Completion date updated to align with Disaster Recovery Plan activities.</p>	<p>March-2021</p> <p>April 2021</p>

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<p><b>EA:2020/10 (21)</b>  <b>Office of the Auditor General Information Systems Audit – Information Security Incident Management Plan</b></p> <p><b>Finding</b>                  We found that the City does not have an information security incident management plan.</p> <p><b>Implication</b>                  Without a developed and documented security incident response plan there is an increased risk that the IT department may not be able to respond to IT security incidents in an effective and timely manner.</p> <p><b>Recommendation</b>                  The City should develop an appropriate information security incident management plan. This plans should include relevant procedures to ensure the effective response and management of all information security related incidents.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  An incident management and response plan will be formalised per the Information Security Program noted in OAG Finding 5.</p> <p><b>December 2020</b>                  On track. The City is preparing for a system upgrade to help reduce the overhead of incident response and management. The system will form part of an incident response and management plan.</p>	<p>March 2021</p>
<p><b>EA:2020/10 (22)</b>  <b>Office of the Auditor General Information Systems Audit – Management of Removable Media</b></p> <p><b>Finding</b>                  We found that the City does not have appropriate controls to log or restrict the use of removable media devices (e.g. USB).</p> <p><b>Implication</b>                  Without appropriate controls to detect, log and monitor the use of removable media devices, there is an increased risk to the City's information and IT systems. Information copied to removable media devices may be lost, stolen or inappropriately disclosed.</p> <p><b>Recommendation</b>                  The City should assess the risks associated with the use of removable media devices. Where appropriate the following controls should be implemented:</p> <ul style="list-style-type: none"> <li>• Preventing the use of any unauthorised removable media devices.</li> <li>• Only using USB devices that incorporate encryption to help protect the information.</li> <li>• Maintaining a register of all authorised and in use removable media devices.</li> <li>• Monitoring and logging files and information copied to or from removal media devices.</li> </ul> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b>                  Medium</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  The City will allocate resources towards implementing and leveraging modern technologies that meet secure data transportation requirements while also eliminating the need for staff to use removable media. Removable media will then be prohibited from use on the network.</p> <p><b>December 2020</b>                  On track. Improved bandwidth is a dependency for the City's response to this Finding. Bandwidth upgrade market request is currently being evaluated.</p>	<p>April 2021</p>

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<p><b>EA:2020/10 (23)</b>  <b>Office of the Auditor General Information Systems Audit – Standard Operating Environment</b></p> <p><b>Finding</b>                  We found that a standard operating environment is not used on workstations. We identified that:</p> <ul style="list-style-type: none"> <li>• there is no monitoring of compliance with secure workstation configuration</li> <li>• relevant staff will not be notified if users attempt or successfully change their workstation configuration, including the installation/removal of software.</li> </ul> <p><b>Implication</b>                  Without monitoring compliance with secure workstation configuration, there is an increased risk that unauthorised system configuration changes are made to computers. These changes could compromise the confidentiality, integrity and availability of information.</p> <p><b>Recommendation</b>                  The City should develop its standard operating environment process and monitor compliance with secure workstation configuration. The process should include efficient notifications to relevant staff of critical changes or attempts to change workstation configuration.</p> <p><b>Risk Rating (prior to controls)</b>                  Low</p> <p><b>Risk Rating (with current controls)</b>                  Low</p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>October 2020</b>                  Monitoring of workstation compliance will be included inside a managed services agreement. Once implemented, notification processes will then be considered as part of a review to determine the feasibility and threat of staff being able to install software without administrative assistance.</p> <p><b>December 2020</b>                  On track. An improved approach to SOE (Standard Operating Environment) deployment and management is being developed. This will also assist with remote deployment and remove the dependency of Admin office visits for software updates.</p>	<p>February 2021</p>
<p><b>EA 2020/12 (1)</b>  <b>Stanton Reg 5 &amp; 17 Review – Contract Management Procedure and Framework</b></p> <p><b>Finding</b>                  The City's previous contract management processes were inadequate. Contracts were currently managed within the different business units leading to poor oversight by the City on existing contracts, the City had no assurance that contracts were being managed adequately and spending was in accordance with the City's delegations or if there were duplicate contracts in place providing identical/similar services/goods. However, the City is currently in the process of improving their contract management processes, the updated and revised contract management policy and framework reflecting this new process and the use of the new contract management module within Authority are still in draft and awaiting Council endorsement.</p> <p><b>Recommendation</b>                  Audit recommends that the City promptly review and present to Council the revised contract management policy and contract management framework outstanding to be endorsed.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Financial Services</p>	<p><b>December 2020:</b>                  Administration has focused on improving contract management over the last 12 months, which has included the implementation of a new contract's management module in Authority and creation of a contract register in Authority. A contract management framework has also been drafted and will be presented to Executive Management Committee early next year. Training will then be rolled out to all staff that manage contracts at the City.</p>	<p>30 June 2021</p>

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<p><b>EA 2020/12 (2)</b> <b>Stanton Reg 5 &amp; 17 Review – Reporting on Contracts</b></p> <p><b>Finding</b> The City does not centrally report and monitor the status of current contracts or review the effectiveness of their management or check for any ongoing issues.</p> <p><b>Recommendation</b> Audit recommends that the City regularly report contract spending, upcoming contract expiry dates, contract variations or extensions or any contentious contract issues to senior management, this could be done via the weekly Corpex or monthly EMC meetings. The transition to the contract management module within Authority should easy facilitate the compiling of this information so it can be reported.</p> <p><b>Risk Rating (prior to controls)</b> Medium</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b> Executive Manager Financial Services</p>	<p><b>December 2020:</b> Management will ensure that information relating to new contracts, contracts to expire in the next 6 months, any contracts that have contentious issues and any contract with excess spend will be included in EMC's monthly reporting.</p>	<p>31 March 2021</p>
<p><b>EA 2020/12 (3)</b> <b>Stanton Reg 5 &amp; 17 Review – Access Management on Pheonix System</b></p> <p><b>Finding</b> There was no evidence that random live tests of user access are performed over the Phoenix system at Beatty Park.</p> <p><b>Recommendation</b> The City should randomly review user access on the Phoenix system to ensure it is line with what the actual user requirements.</p> <p><b>Risk Rating (prior to controls)</b> Medium</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b> Executive Manager Financial Services</p>	<p><b>December 2020:</b> The City will conduct an access review immediately and then schedule 6 monthly reviews of all users on Phoenix.</p>	<p>31 December 2020</p>
<p><b>EA 2020/12 (4)</b> <b>Stanton Reg 5 &amp; 17 Review – Updating Asset Policy and Procedure</b></p> <p><b>Finding</b> The City's current asset policy and related asset procedures do not reflect the recent changes the City made requiring the different service areas to maintain their own asset register for assets less than \$5,000</p> <p><b>Recommendation</b> Audit recommends the City updates their asset process to reflect that asset registers for assets less than \$5,000 are to be maintained by the different services areas.</p> <p><b>Risk Rating (prior to controls)</b> Minor</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b> Executive Manager Financial Services</p>	<p><b>December 2020:</b> The City's asset procedure will be updated, and training and guidance will be provided to staff on the basics of asset management, including maintenance of asset register for assets less than \$5,000.</p>	<p>31 March 2021</p>

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<p><b>EA 2020/12 (5)</b>  <b>Stanton Reg 5 &amp; 17 Review – Procedure on Verification of Assets</b></p> <p><b>Finding</b>                  The City's current asset policy and asset procedures do not disclose the City's procedure for counting and revaluing assets. The City currently counts and revalues assets by category on an annual rotating basis.</p> <p><b>Recommendation</b>                  Audit recommends the City updates their asset process to reflect that the City counts and revalues assets by category on an annual rotating basis.</p> <p><b>Risk Rating (prior to controls)</b>                  Minor</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Financial Services</p>	<p><b>December 2020:</b>                  The City currently revalue assets every 3-5years as per the requirement of the Financial Management Regulations.</p> <p>The City's asset procedure will be updated, and training and guidance will be provided to staff on the basics of asset management, including verification of assets.</p>	<p>31 March 2021</p>
<p><b>EA 2020/12 (6)</b>  <b>Stanton Reg 5 &amp; 17 Review – Verification of Assets</b></p> <p><b>Finding</b>                  Through our inquiries regarding asset stock counts and sighting assets within the City's premises, audit noted that assets (office furniture) not tagged or barcoded.</p> <p><b>Recommendation</b>                  Assets not tagged and barcoded cannot be counted correctly. All assets should be barcoded.</p> <p><b>Risk Rating (prior to controls)</b>                  Medium</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Financial Services</p>	<p><b>December 2020:</b>                  Tagging or barcoding of assets will not be utilised, as an alternative Administration will ensure all asset registers are maintained for assets less than \$5000 by the respective manager. Finance will conduct compliance testing and accuracy of these asset registers every 6 months. Asset procedures will also include details of how and when verification of assets should be conducted.</p>	<p>31 March 2021</p>
<p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>December 2020:</b>                  IT Equipment, asset register for portable assets is in the process of being updated on a new software, Asset Sonar. This work has commenced in March 2020.</p>	

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<p><b>EA 2020/12 (7)</b> <b>Stanton Reg 5 &amp; 17 Review – Recruitment Request Form Update</b></p> <p><b>Finding</b> The City's proposed recruitment request form requiring approval from Finance is not yet endorsed and rolled out.</p> <p><b>Recommendation</b> The City endorse and enforce the use of the proposed recruitment request form and this will ensure all necessary business units are aware of employees being recruited outside of approved positions.</p> <p><b>Risk Rating (prior to controls)</b> Minor</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b> Executive Manager Human Resources</p>	<p><b>December 2020:</b> The new Recruitment Request Form which includes sign off from Finance for all vacant positions and fixed term appointments was implemented in September 2020.</p>	<p>Completed</p>
<p><b>EA 2020/12 (8)</b> <b>Stanton Reg 5 &amp; 17 Review – Manual Timesheet</b></p> <p><b>Finding</b> The City uses manual timesheets, predominately for those employees who work in the depot and recreational leisure centre.</p> <p><b>Recommendation</b> The use of manual timesheets should be eliminated, it is worth noting that the City has already noted this as a finding within their own audit log.</p> <p><b>Recommendation</b></p> <p><b>Risk Rating (prior to controls)</b> Medium</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b> Executive Manager Human Resources and Executive Manager Information and Communication Technology</p>	<p><b>December 2020:</b> The City requires a robust online time-sheeting system which is fit for purpose of a casual workforce (i.e. Beatty Park) that is flexible, easy to use and aligned to the relevant cost centres and employment.</p> <p>Administration has determined that Civica's online time-sheeting module will be suitable for the City. The module however can only be implemented once work orders are activated as part of the Chart of Accounts project scheduled for completion in July 2021. Online time-sheeting will have a mobile option as well. The scoping of this project will be requested to commence in March next year with implementation in December 2021.</p>	<p>31 December 2021</p>
<p><b>EA 2020/12 (9)</b> <b>Stanton Reg 5 &amp; 17 Review – Authority Access</b></p> <p><b>Finding</b> There was no evidence of formal review of users' access privileges to Authority to ensure that users do not have access to unsuited functions/modules</p> <p><b>Recommendation</b> 1. The City should randomly review user access to ensure it is line with what the actual user requires. The City should regularly review every users' access privileges to Authority to ensure that users do not have access to unsuited functions/modules, this could also include reviewing financial delegations within Authority</p> <p><b>Recommendation</b></p> <p><b>Risk Rating (prior to controls)</b> Medium</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b> Executive Manager Information and Communication Technology</p>	<p><b>December 2020</b> In response to this finding, the City has commissioned a project with Civica (vendor for Authority software) to provide 'Authority User Access and Security Restructure'. The overall objectives of the project are to provide:</p> <ul style="list-style-type: none"> <li>• A structured, consistent and more easily understood Authority security model</li> <li>• Better visibility of user access and permissions</li> <li>• Simpler administrative management control of users and permissions</li> </ul> <p>The project has been estimated to run for 8 – 10 weeks. The City is reviewing scheduling with Civica given several other Authority changes already in motion, in particular the software upgrade from version 6.11 to 7.1. If Civica is not able to commit additional resources to this project in early 2021, completion will be aligned to 7.1 go live in August 2021.</p>	<p>31 August 2021</p>

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<p><b>EA 2020/12 (10)</b> <b>Stanton Reg 5 &amp; 17 Review – IT Security Framework</b></p> <p><b>Finding</b> IT Controls are lacking across a few areas including a formal IT security framework or policy, out of date supporting policies, user training, vulnerability management, staff screening, change control, BCP testing and document maintenance.</p> <p><b>Recommendation</b> 2. IT Controls need enhancement including the creation of an IT security framework or policy, ensuring supporting policies such as the Information and Communications Technology Conditions of Use is reviewed and updated, implementing user security training, having vulnerability management such as an intrusion prevention and detection system. Also there needs to be staff screening implemented for sensitive position holders (high financial delegations/high system privileges), formal change control such as a change advisory board, defined BCP testing regime and ensuring IT documents are maintained and kept up to date.</p> <p><b>Recommendation</b></p> <p><b>Risk Rating (prior to controls)</b> Medium</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b> Executive Manager Information and Communication Technology</p>	<p><b>December 2020</b> The City will formalise its draft Information Security Program to document and govern security training, vulnerability management, change control and continuity testing. (Refer to OAG IS Finding 4)</p>	<p>31 March 2021</p>
<p><b>EA 2020/12 (11)</b> <b>Stanton Reg 5 &amp; 17 Review – Record Keeping</b></p> <p><b>Finding</b> Poor retrievability of information 'term container used' Record keeping of contract documentation is inefficient and leads to poor retrievability. The record keeping system does not facilitate the use of sub folders which results in all documented related to a subject/topic being saved in a 'container'. With regards to contracts, there are a large number of supporting documentations within these 'containers' thus it can take some time to retrieve the sought-after document</p> <p><b>Recommendations</b> The City should review useability of their record keeping system ensuring that it is operating effectively. For process efficiency allow user to amend and delete own purchase requisition.</p> <p><b>Risk Rating (prior to controls)</b> Minor</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b> Executive Manager Information and Communication Technology</p>	<p><b>December 2020</b> The City will review its record keeping system to ensure it is operating effectively.</p>	<p>31 March 2021</p>

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<p><b>EA 2020/12 (12)</b> <b>Stanton Reg 5 &amp; 17 Review – Legislative Compliance Review</b></p> <p><b>Finding</b> The City does not have a dedicated communication channel for receiving legislative changes/updates.</p> <p><b>Recommendation</b> Audit recommends the City identifies a dedicated communication channel (i.e. the City's governance email address) to receive information on any legislative changes or updates. This email address should be communicated to all those external agencies who inform the City of any legislative changes or updates. This ensures that no legislative change or update is overlooked, delayed being implemented or even missed all together.</p> <p><b>Risk Rating (prior to controls)</b> Minor</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b> Executive Manager Corporate Strategy &amp; Governance</p>	<p><b>December 2020</b> Administration has now established the <a href="mailto:governance@vincent.wa.gov.au">governance@vincent.wa.gov.au</a> as the dedicated channel, and advised WALGA so that all updates are received and collated in a systematic manner.</p>	<p><b>Complete</b></p>
<p><b>EA 2020/12 (13)</b> <b>Stanton Reg 5 &amp; 17 Review – Compliance Procedures and Systems</b></p> <p><b>Finding</b> Legislative compliance procedures and systems are not internally reviewed and audited.</p> <p><b>Recommendation</b> Audit recommends when developing the City's strategic audit plan, legislative compliance reviews should be included to be performed, this will also cover off on the City's future requirements to perform legislative compliance reviews under reg. 17. However, it is worth noting that the City has identified quarterly compliance auditing as a recommendation per their own risk management, internal control, and legislative compliance improvement plan.</p> <p><b>Risk Rating (prior to controls)</b> Medium</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b> Executive Manager Corporate Strategy &amp; Governance</p>	<p><b>December 2020</b> This will form part of the annual internal audit program. The draft internal audit program will be prepared in early 2021 and presented to Audit Committee.</p>	<p>30 April 2021</p>



**CITY OF VINCENT AUDIT LOG**

<p><b>EA 2020/12 (14)</b>  <b>Office of the Auditor General – Financial Audit – Access Levels within Authority</b></p> <p><b>Finding</b>                  Similar to our information systems audit findings titled Segregation of Duties and Authority User Review Process, we noted numerous users with access to modules within Authority which appear to not be required to undertake their role within the City.</p> <p>Specific modules which we reviewed were:</p> <ul style="list-style-type: none"> <li>- Accounts payable (supplier masterfile, invoice entry and credit note entry)</li> <li>- Accounts receivable (debtor masterfile, invoice entry and credit note entry)</li> <li>- Assets (asset masterfile)</li> <li>- Payroll (employee maintenance masterfile)</li> </ul> <p>In some instances the City does have mitigating controls in place, however these controls are generally of a manual and detective nature.</p> <p><b>Implication</b>                  Excessive user access to the accounting package may allow staff to use the system inappropriately. For example, this access could be used to undermine the effectiveness of system controls (such as segregation of duties) and diminish accountability.</p> <p>Additionally, this weakness in financial controls is considered a material non-compliance and impacts on the audit opinion for the current year.</p> <p><b>Recommendation</b>                  Management should conduct a thorough user access review in consultation with its IT support with a view to restricting user access to the required and appropriate level of authority or delegation.</p> <p><b>Risk Rating (prior to controls)</b>                  Significant</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Information and Communication Technology</p>	<p><b>December 2020:</b>                  In response to this finding, the City has commissioned a project with Civica (vendor for Authority software) to provide 'Authority User Access and Security Restructure'. The overall objectives of the project are to provide:</p> <ul style="list-style-type: none"> <li>• A structured, consistent and more easily understood Authority security model</li> <li>• Better visibility of user access and permissions</li> <li>• Simpler administrative management control of users and permissions</li> </ul> <p>The project has been estimated to run for 8 – 10 weeks. The City is reviewing scheduling with Civica given several other Authority changes already in motion, in particular the software upgrade from version 6.11 to 7.1. If Civica is not able to commit additional resources to this project in early 2021, completion will be aligned to 7.1 go live in August 2021.</p>	<p>31 August 2021</p>
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CITY OF VINCENT AUDIT LOG

<p><b>EA 2020/12 (15)</b>  <b>Office of the Auditor General – Financial Audit – Evidence of review of changes to employee Masterfile</b></p> <p><b>Finding</b>                  We note the City does not have a process to evidence independent review and authorisation of changes made to the employee masterfile.</p> <p><b>Implication</b>                  The absence of an independent review of changes made to the employee masterfile increases the risk of unauthorised or erroneous changes to key information.</p> <p>Additionally, this weakness in financial controls is considered a material non-compliance and impacts on the audit opinion for the current year.</p> <p><b>Recommendation</b>                  Management should implement a process for an independent review of changes to the employee masterfile.</p> <p><b>Risk Rating (prior to controls)</b>                  Significant</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Human Resources</p>	<p><b>December 2020:</b>                  Currently changes to the employee master file are checked by the Payroll Officer/Payroll Support Officer, however not recorded. Based on changes to the employee master file, Human Resources/Payroll will implement the following:</p> <ol style="list-style-type: none"> <li>1. A change of bank details and superannuation form.</li> <li>2. All changes to employee master file are requested via a form or letter pertaining to a change of employee entitlements. These forms/letters are added to Content Manager (records system) and work-flowed to the applicable Payroll Officer/Support Officer depending on portfolio.</li> </ol> <p>Once adjustments are made to the employee master file based on the form/letter, the Payroll Officer changes the workflow item from 'action' to 'completed'. The Payroll Officer will then workflow the form/letter to the other Payroll representative in Content Manager for review. The Payroll representative will review and if approved, change the workflow from 'review' to 'completed'.</p> <p>Each time a form/letter is added to Content Manager, an audit trail will be created of when an item is 'completed' and 'reviewed'.</p>	<p>30 December 2020</p> <p>31 January 2021</p>
<p><b>EA 2020/12 (16)</b>  <b>Office of the Auditor General – Financial Audit – Classification of cash and cash equivalents</b></p> <p><b>Finding</b>                  We noted the City originally classified all of their term deposits with original maturities of over three months as cash and cash equivalents for the year ended 30 June 2020. The City did not classify their term deposits in line with the guidance provided in AASB 107 Statement of Cash Flows, which states an "investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition"</p> <p><b>Implication</b>                  The incorrect classification between cash and cash equivalents and other financial assets can lead to a material misstatement within the financial statements, and non-compliance with the accounting standards. If a material error exists and remains uncorrected this would lead to a modified audit opinion.</p> <p><b>Recommendation</b>                  Management should:</p> <ol style="list-style-type: none"> <li>i) Undertake a review of their term deposits and ensure where applicable term deposits are correctly classified within the financial statements.</li> <li>ii) Consider and quantify the impact of the incorrect classification for the year ended 30 June 2019 and where material, restate the prior year comparative.</li> <li>iii) Implement a process to ensure accurate classification of terms deposits in the future.</li> </ol> <p><b>Risk Rating (prior to controls)</b>                  Significant</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Financial Services</p>	<p><b>December 2020:</b>                  Management has updated the 2019/2020 financial statements and restated the prior year financials in accordance with the Accounting Standards as per recommendation 1 and 2. Administration understands that the Accounting Standards require investments with maturities greater than 3 months to be disclosed separately as financial assets. This will be continuously assessed and actioned appropriately going forward.</p> <p>However, given that this is a disclosure requirement as per the Accounting Standards and there were no audit issues or misstatements relating to the cash and cash equivalents or financial assets processes, Administration do not agree this should be a significant finding. Furthermore, the inherent and control risk with this finding is minimal.</p>	<p>Completed</p>

**CITY OF VINCENT AUDIT LOG**

<p><b>EA 2020/12 (17)</b>  <b>Office of the Auditor General – Financial Audit – Accounting for NIB Stadium</b></p> <p><b>Finding</b>                  From our review of plant and equipment, we identified that the City has not depreciated the capitalised redevelopment works undertaken by VenuesWest at NIB Stadium, which is on land owned by the City and leased to VenuesWest.</p> <p>AASB 116 Property Plant and Equipment (AASB 116) requires assets to be depreciated over their useful life. The City was unable to provide sufficient evidence to justify non-compliance with the requirements of the accounting standards.</p> <p><b>Implication</b>                  Non-compliance with AASB 116 requirements results in understated depreciation expense and an overstated carrying amount for this asset within the financial statements. The amounts in relation to NIB Stadium are material, and if uncorrected will lead to a modified audit opinion.</p> <p><b>Recommendation</b>                  The City should review the requirements of AASB 116 and quantify the depreciation expense since the last revaluation of NIB stadium, and determine the impact on the financial statements, if material, the correction made as a prior period error in accordance with the standard.</p> <p><b>Risk Rating (prior to controls)</b>                  Significant</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Financial Services</p>	<p><b>December 2020:</b>                  In 2012 the City leased NIB stadium to Venue West for 25 years who undertook significant improvements to the facility in 2013/2014 in excess of \$80million. The lessee has full control of the asset while the City owned the property and receives minimum benefit from this asset. Consequently in 2017, the City's then auditors Moore Stephens had agreed to stop the depreciation for NIB stadium, as indicated on note 40 of the 2017 Annual Financial Statement and also brought in the fair value of NIB stadium into the financial statements.</p> <p>However, given that the City owns this asset depreciation should have been charged and therefore AASB 116 will be applicable. The previous auditors were unable to justify why the depreciation was curtailed and as such Administration has reinstated the depreciation from 2018.</p> <p>This reinstatement is going to have a significant impact on the City's financial performance as depreciation for NIB Stadium will amount to approximately \$2million per annum. The City's financial ratios, namely asset sustainability and operating surplus ratios will be negatively impacted as a result of the restatement.</p>	<p><b>Completed</b></p>
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CITY OF VINCENT AUDIT LOG

<p><b>EA 2020/12 (18)</b>  <b>Office of the Auditor General – Financial Audit – Adverse trends in financial ratios</b></p> <p><b>Finding</b>                  During our audit we noted the adverse trends in the following ratios when considering the basic standard set by Department of Local Government, Sport and Cultural Industries (“the department”):</p> <p>Below the basic requirements for 3 years:</p> <ul style="list-style-type: none"> <li>- Asset sustainability</li> <li>- Operating surplus</li> </ul> <p>Below the basic requirement and below proceeding two years actual result:</p> <ul style="list-style-type: none"> <li>- Debt service cover</li> </ul> <p><b>Implication</b>                  Ratios which are below the basic standards as determined by the Department indicate the short term financial performance of the City is likely unsustainable.</p> <p>Additionally, in accordance with the <i>Local Government (Audit) Regulations 1996</i> ratios with adverse trends will be reported within the audit opinion.</p> <p><b>Recommendation</b>                  Management should implement measures to ensure the basic requirements are achieved, where the requirements are not able to be achieved plans for correction action should be made.</p> <p><b>Risk Rating (prior to controls)</b>                  Significant</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Financial Services</p>	<p><b>December 2020:</b></p> <ol style="list-style-type: none"> <li>1. <b>Debt Service Ratio</b> – As a result of the once-off contractual balloon payment of \$5.3m for the DLGSC loan, this ratio has been skewed only for the 2019/2020 financial year. The Debt service ratio is expected to normalise for the following years as per the City’s current debt portfolio.</li> <li>2. <b>Operating Surplus</b> - In order to improve this ratio, new funding sources has to be looked at and also the current fees and charges (including rates) need to be analysed to determine if they are sufficient. Strategies will also be developed to improve this ratio when preparing the 2021/2022 -2030/2031 LTFP.</li> <li>3. <b>Asset Sustainability Ratio</b> – The asset sustainability ratio has improved compared to last year from 0.30 to 0.45 This is an indicator that administration has focused their attention on ensuring capital spend is focused on renewal instead of new expenditure. The City has implemented the following initiatives since last year:                         <ul style="list-style-type: none"> <li>• Made a concerted effort on spending on renewal instead of new;</li> <li>• Prepared a 4-year capital works program 2020/21-2023/24;</li> <li>• The City’s Asset Management Strategy is in the process of being finalised; and</li> <li>• Adopted the 2020/21-2029/30 LTFP which reflects the projected asset sustainability ratio will reach the benchmark ratio by 2024/25.</li> </ul> </li> </ol> <p>The following will be the action plans for this year:</p> <ul style="list-style-type: none"> <li>• Adopting the new asset management strategy;</li> <li>• Updating and aligning the asset management plans to the asset management strategy; and</li> <li>• Updating and preparing the LTFP for 2021/22-2030/31 by incorporating the additional depreciation of NIB stadium into the asset sustainability ratio and revising strategies to attain the benchmark ratio.</li> </ul> <p>Department of Local Government Sport and Cultural Industries is in the process of reviewing the current local government ratios as part of the Local Govt Act Reform and some of the benchmarks will be reviewed to be aligned based on the size of the Local Government.</p>	<p><b>Completed</b></p> <p>30 June 2021</p> <p>30 June 2021</p>
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**CITY OF VINCENT AUDIT LOG**

<p><b>EA 2020/12 (19)</b>  <b>Office of the Auditor General – Financial Audit – Periodic cleansing of the supplier masterfile</b></p> <p><b>Finding</b>                  During our audit, we identified that there were several old and outdated supplier records. The City of Vincent does not have a formalised process to periodically review its supplier master file to remove/deactivate old, unused or duplicate supplier records.</p> <p>The supplier master file is a comprehensive file in the financial system which stores key information about suppliers for processing payments to suppliers, including information on bank accounts and addresses.</p> <p><b>Rating: Moderate</b></p> <p><b>Implication</b>                  The presence of old and unused supplier records increases the risk of duplicate records which also increases the risk of duplicate payments being made. It also increases the risk of fraud, as the unused records can be modified and used to make unauthorised payments.</p> <p><b>Recommendation</b>                  Management should perform a periodic review of the supplier master file to remove/deactivate inactive, old, unused or duplicate records.</p> <p><b>Risk Rating (prior to controls)</b>                  Moderate</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Financial Services</p>	<p><b>December 2021:</b>                  A detailed process will be developed to ensure the Creditors master file will be reviewed. This will be conducted every 6 months to ensure inactive, old, unused or duplicate creditors records are removed or deactivated.</p>	<p>31 March 2021</p>
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**CITY OF VINCENT AUDIT LOG**

<p><b>EA 2020/12 (20)</b>  <b>Office of the Auditor General – Financial Audit – Timing of monthly reconciliations</b></p> <p><b>Finding</b>                  During our audit, we identified many of the key reconciliations are prepared prior to close off the sub modules which led to variances between the reconciled balances within the trial balance used to prepare the financial statements.</p> <p>In addition we noted a number of inappropriate reconciling items included within the Municipal bank account reconciliation at 30 June 2020, these were subsequently corrected during the audit process.</p> <p><b>Rating: Moderate</b></p> <p><b>Implication</b>                  Reconciliations are a key control for ensuring financial data is completely and accurately reflected in the general ledger from which financial statements are derived. The absence of a robust process by the City of Vincent over the reconciliations on period end balances can result in errors or omissions remaining undetected, leading to misstatements in the financial statements.</p> <p><b>Recommendation</b>                  We recommend management review their current processes for monthly reconciliations and ensure balances reconciled are those reported and reconciling items are appropriate.</p> <p><b>Risk Rating (prior to controls)</b>                  Moderate</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Executive Manager Financial Services</p>	<p><b>December 2020:</b>                  All monthly reconciliations are undertaken as part of preparing the month end financial statements. However, due to a timing variance the reconciliation process will be reviewed and updated</p>	<p>31 January 2021</p>
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**CITY OF VINCENT AUDIT LOG**

<p><b>EA 2020/12 (21)</b>  <b>Office of the Auditor General – Financial Audit – Quotations - minimum number not obtained</b></p> <p><b>Finding</b>  Council's purchasing policy states that where the value of a purchase is between \$200 and \$20,000, at least two written quotes must be obtained and recorded.</p> <p>During our expenditure testing, which included reviewing the procurement process, we identified 3 purchases in this range, out of a sample of 36, where there was insufficient documentation to indicate that the requisite number of quotations had been obtained.</p> <p><b>Implication</b>  If purchases are made without obtaining sufficient quotes, there is a risk of favouritism of suppliers and not obtaining value for money.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>i) For purchases below the tender threshold, quotes should be obtained, in accordance with the City of Vincent's purchasing policy</li> <li>ii) If instances arise where it is impractical to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.</li> </ul> <p><b>Risk Rating (prior to controls)</b>  Moderate</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>  Executive Manager Financial Services</p>	<p><b>December 2020:</b>  The following actions will be taken:  -The Procurement team will schedule training for individual directorates to reinforce City's Procurement Framework and Policy; and  -Ongoing procurement audits will be conducted to ensure compliance.</p>	<p>31 March 2021</p>
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**CITY OF VINCENT AUDIT LOG**

<p><b>EA 2020/12 (22)</b>  <b>Office of the Auditor General – Financial Audit – Inconsistent process for daily takings</b></p> <p><b>Finding</b>                  During testing of controls relating to daily takings reconciliations and counting of cash floats we noted revenue could be collected in the form of cash at the Civic Centre (Main) Cashier, Loftus Community Centre, Carpark (events), Beatty Park Leisure Centre and the Library. We noted inconsistent procedures around the daily reconciliations and cash float counts across the various cashiers.</p> <p>Beatty Park and the Library were the only cashiers where procedures have been implemented and documentary evidence is maintained showing the daily reconciliations have been prepared by one member of staff and reviewed by another member of staff. However, four out of seven Library daily reconciliation samples tested had no documentary evidence supporting the daily takings reconciliations had been checked by a second staff member.</p> <p>Whilst it is noted the Loftus Community Centre, Carpark and Library all deposit their daily takings at the Civic Centre (Main) cashier, and the takings are counted and allocated to the relevant accounts with a receipt issued, there is no means to verify that banked amounts have been checked prior to depositing by the respective cashiers.</p> <p><b>Rating: Minor</b>  <b>Implication</b>                  The absence of consistent procedures can lead to variations within processes across the City, this could lead to a breakdown in controls. Further, the absence of a review of daily takings can result in errors or omissions remaining undetected.</p> <p><b>Recommendation</b>                  Management should implement a consistent process where practicable for daily takings and ensure daily takings are subject to independent review to verify amounts collected prior to being banked.</p> <p><b>Risk Rating (prior to controls)</b>                  Minor</p> <p><b>Risk Rating (with current controls)</b></p>	<p><b>Responsible Officer:</b>                  Manager Customer and Library Services</p>	<p><b>December 2020:</b>                  The Civic Centre (Main) Cashier and Community Centre will ensure an independent review is in place and compliance to the current process. The inconsistencies at the library will also be addressed immediately.</p>	<p><b>Completed</b></p>
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**5.2 REVIEW OF OFFICE OF THE AUDITOR GENERAL AUDIT REPORT - WASTE MANAGEMENT - SERVICE DELIVERY****Attachments: Nil****RECOMMENDATION:****That the Audit Committee recommends to Council that it:**

- 1. RECEIVES the Western Australian Auditor General's Report – Waste Management – Service Delivery; and**
- 2. NOTES the review of the Western Australian Auditor General's (OAG) Report – Waste Management – Service Delivery and actions recommended as detailed in this report.**

**COMMITTEE DECISION ITEM 5.2****Moved: Cr Gontaszewski, Seconded: Mr Piper****That the recommendation be deferred to the 2 March 2021 meeting.****REASON:** The item was deferred due to time constraints.**CARRIED UNANIMOUSLY (5-0)****For:** Mr Manifis, Mr Piper, Cr Gontaszewski and Mr Smith**Against:** Nil**(Cr Topelberg was an apology for the Meeting.)****(Cr Loden was an apology for this Item.)**

**5.5 RISK ASSESSMENT OF AGEING SPORTING INFRASTRUCTURE ASSETS****Attachments: Nil****RECOMMENDATION:**

That the Audit Committee RECEIVES the report on the risks associated with three ageing sporting infrastructure assets being Leederville Oval Grandstand, Beatty Park Grandstand and Litis Stadium Grandstand.

**COMMITTEE DECISION ITEM 5.5****Moved: Cr Gontaszewski, Seconded: Mr Piper**

That the recommendation be deferred to the 2 March 2021 meeting.

**REASON:** The item was deferred due to time constraints.

**CARRIED UNANIMOUSLY (5-0)**

**For:** Mr Manifis, Mr Piper, Cr Gontaszewski and Mr Smith

**Against:** Nil

**(Cr Topelberg was an apology for the Meeting.)**

**(Cr Loden was an apology for this Item.)**

**6 GENERAL BUSINESS**

Nil

**7 NEXT MEETING**

**2 March 2021**

- Internal audit program
- Statutory Compliance Audit Return
- Review of Audit Log
- Review of Corporate Risk Register
- Risk Assessment of Ageing Sporting Infrastructure Assets
- Review of Office of the Auditor General Audit Report - Waste Management - Service Delivery
- Update on the implementation of the Contract Management Framework
- Fraud Update and Emerging Issues – Governance, Risk and Compliance – if applicable
- OAG Performance Audit and Other Audit / Best Practice Recommendations – if applicable

**8 CLOSURE**

There being no further business the meeting closed at approximately 4.13pm.

These Minutes were confirmed by the Audit Committee as a true record and accurate of the Audit Committee meeting held on 1 December 2020.

Signed: Mr Conley Manifis



Dated: 2 March 2021