

SHIRE OF SERPENTINE JARRAHDAL
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Credit card exceptions	No		✓		
2. Business Continuity and Disaster Recovery Plan	No		✓		
3. Non-compliance – monthly financial activity statement reports	No		✓		
4. IT security training	No			✓	
5. Outdated policies and/or procedures	No			✓	
6. Daily banking exceptions	No			✓	

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. 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 report, 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.

SHIRE OF SERPENTINE JARRAHDALÉ
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024
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1. Credit card exceptions

Finding

Our audit procedures identified the following exceptions in relation to credit card transactions approval:

- The July 2023 credit card statement was not signed as evidence of authorization by the CEO in accordance with the Shire of Serpentine-Jarrahdale's Council Policy 3.2.6 – Corporate Purchasing Cards. We acknowledge this review has been subsequently completed in April 2024.
- During one month selected for testing, the credit card statement was signed by the acting Director of Corporate Services rather than the card holder as stated in the Shire of Serpentine-Jarrahdale's Council Policy 3.2.6 – Corporate Purchasing Cards.

Rating: Moderate

Implication

Increased risk of unauthorised or fraudulent transactions not being identified in a timely manner. There is also the risk of non-compliance with the Shire's Council Policy 3.2.6 – Corporate Purchasing Cards Policy 'payments, point 1.

Recommendation

Shire should ensure that transactions are approved in a timely manner and to ensure compliance with policies and procedures in relation to credit card transactions, approval, and review.

Management comment

It should be noted that all the credit card transactions are pre-approved in advance by the line manager and Director Corporate Services then reported to council monthly.

This issue essentially occurred because the personal assistant to the Director Corporate Services had resigned. To rectify this, officers have added an additional task under End of Month checklist to ensure to check that the credit card statement is signed in a timely manner, further the function has been moved to procurement which has backup personnel.

Officers are working on updating policy where "Acting" Director Corporate Service can sign on behalf of the cardholder.

Responsible person: Hayley Ross, Manager Finance
Completion date: 9 September 2024

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2. Business Continuity and Disaster Recovery Plan

Finding

The current Shire Business Continuity and Disaster Recovery Plan states:
“The Chief Executive Officer has overall responsibility for the annual review of the Business Continuity Plan in conjunction with the Manager of Governance. As part of the review process, the Shire shall exercise and test the business continuity plan every three years.”

The Business Continuity and Disaster Recovery Plan was last revised on the 5 May 2021 and therefore is potentially out of date and requires review

Furthermore, the Business Continuity and Disaster Recovery Plan was last tested in 2020.

Rating: Moderate

Implication

Without a current and approved Business Continuity and Disaster Recovery Plan and testing of this Plan periodically, the Shire is vulnerable to extended downtime, data loss, financial setbacks and potential legal and regulatory consequences. The Business Continuity and Disaster Recovery Plan is an essential safeguard for the Shire’s resilience and continued success in the event of unforeseen disasters or disruptions.

Recommendation

The Shire review and approve the Business Continuity and Disaster Recovery Plan annual in accordance with the Business Continuity Plan.

The updated Business Continuity and Disaster Recovery Plan should be communicated to staff and tested on a periodic basis to ensure Shire staff are familiar with their responsibilities.

Management comment

Officers acknowledge that the Business Continuity Plan requires an annual review and accept the Auditors recommendation to update the plan. The proposed due date for this review is 30 June 2025.

Officers also acknowledge that the Business Continuity Plan requires a test every three years and note that the plan was activated in October 2023 (OCM268/10/23) to manage the Watkins Road Waste Transfer Station Closure. The evaluation and feedback from this incident will be used to inform the aforementioned review. Following this, Officers will implement a tracking mechanism via Service Team Planning to ensure both the annual review and three yearly test occurs on time in the future.

Responsible person: Claire Mortimer, Manager Corporate Performance
Completion date: 9 September 2024

SHIRE OF SERPENTINE JARRAHDALÉ
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3. Non-compliance – monthly financial activity statement reports

Finding

Our review of the monthly financial activity statement reports presented to Council identified that the monthly financial activity statement report for the month of November 2023 was presented to Council at the February 2024 council meeting. It is a requirement of regulation 34 of the Local Government (Financial Management) Regulations 1996 that the monthly financial activity statement report is presented to council within two months.

Rating: Moderate

Implication

Non-compliance with the statutory requirements of regulation 34 of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend all monthly financial activity statement reports are presented to Council within the specified timeframe (within two months) as per regulation 34 of the Local Government (Financial Management) Regulations 1996.

Management comment

Officers acknowledge that the monthly financial reports presented for the November was presented to Council at February 2024 Council meeting. This is due to recent amendments in Local Government (Financial Management) Regulations 1996 regulation.

To rectify this, officers will present their Novembers monthly report in December council meeting.

Responsible person: Hayley Ross, Manager Finance
Completion date: 9 September 2024

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4. IT security training

Finding

During our testing of the Shire's IT procedures, we noted that the Shire does not provide regular cyber security related training to new staff on induction.

Rating: Minor

Implication

The absence of cyber security related training exposes the Shire to increased vulnerability, as new employees may lack awareness of security threats, best practices, and proper response protocols. This knowledge gap heightens the risk of data breaches, and phishing attacks.

Recommendation

We recommend the Shire implement comprehensive cyber security training programs for new employees on induction. Regularly update training materials to address emerging threats. This proactive approach will enhance the Shire's overall security posture and empowers employees to contribute to a robust cyber security culture.

Management comment

The Shire takes Cyber Security very seriously. The initial cyber security training and phishing simulation suite KnowB4 was implemented in March 2023, all staff were enrolled in mandatory cyber security training in June 2023. Each month since March 2023 there have been phishing simulations performed. Any staff member who clicks on a link in a phishing email is enrolled in mandatory cyber security training where they are required to watch a video and answer a quiz. The Shire has also scheduled mandatory cyber security training in October 2024 for all staff to align with cyber security awareness month.

Furthermore, the Shire launched our 12-month cyber security campaign in February 2024 where information is posted on our official communication portal, and we also have a competition with directorates. The directorate with the least clicks for the quarter wins a breakfast hamper. During the Shire's May 2024 phishing campaign 240 staff were delivered a phishing email. 133 (55.4%) were opened, ten (4.2%) were clicked and 92 (38.3%) were reported to the ICT team. The officers who have opened or clicked on the link have gone through a mandatory ICT security training.

As of August 2024, the Shire has implemented cyber security training for all new employees during induction.

Responsible person: Shane Bauskis, Manager Information Communication Technology
Completion date: 9 September 2024

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5. Outdated policies and/or procedures

Finding

Our review of selected Shire policies and procedures identified the following policies and procedures have not been reviewed recently and are potentially out of date:

Policy/Procedure	Comment
Council Policy 3.2.6 – Corporate Purchasing Cards	Last modified 18 December 2017 Policy does not state the next review date
Council Policy 3.2.3 – Investments	Last modified 23 April 2018 Policy does not state the next review date
Business Operating Policy 3.2.4 – Small Vehicle Fleet – Conditions of Use	Last modified 18 December 2017 Policy does not state the next review date

Rating: Minor

Implication

Out-dated policies and procedures may not reflect the actual practices followed by Shire representatives.

Recommendation

Policies and procedures should be regularly reviewed and updated. They should also indicate the date of the next scheduled review.

Management comment

Officers have previously identified that policies at the Shire are outdated and require review. In June 2022, a comprehensive report was provided to Council to address this matter which included the adoption of a 'policy review schedule' (OCM146/06/22). At the time, it was identified that within existing resources, the review schedule was estimated to take six years to complete 94 policies. In the period from schedule adoption (June 2022) to 30 June 2024, 42 policies were scheduled to be reviewed. Of these:

- *12 have been completed*
- *16 are in progress, and*
- *14 are not started.*

In addition to the above, the following Policy review work has also occurred/is underway:

- *four policies have completed*
- *two new policies have been created, and*
- *seven are in the process being reviewed.*

In summary, the schedule planned to review 42 policies from June 2022 to June 2024 however, taking into account the additional work outside of the schedule, only 15 (36%) was achieved.

Officers acknowledge that the schedule has fallen behind, and therefore recommend the schedule be represented to Council with options such as a dedicated resource to expediate the review of policies by 31 December 2024.

Responsible person: Claire Mortimer, Manager Corporate Performance

Completion date: 9 September 2024

SHIRE OF SERPENTINE JARRAHDALÉ
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6. Daily banking exceptions

Finding

Our sample testing of 17 daily banking reconciliations identified one instance where the daily banking reconciliation was not signed by the preparer nor was it signed as evidence of independent review.

Rating: Minor

Implication

Daily banking reconciliations not completed or not signed by the preparer and/or the independent reviewer increases the risk of errors and omissions relating to cash remaining undetected.

Recommendation

All daily banking reconciliations must be signed by both the preparer and the reviewer to confirm an independent review has taken place.

Management comment

The Shire acknowledges that during one instance daily banking reconciliation was not signed by the preparer. The current process is that the staff member who is working on the counter prepares banking documents and submits it to another team member for review.

Moving forward, the Team leader of Customer Service will also review and check whether the daily banking sheet has been signed by two officers or not. This will add an extra security and reduce the risk of errors and omission relating to cash remaining undetected.

Responsible person: Kylie Pitman, Manager Communication and Customer Engagement
Completion date: 9 September 2024