

Ordinary Meeting of Council

Date: Friday 23rd April 2021



Tabled Documents:

Doc Ref: Item E1	Page 12	Engineering Services Report – Newsbrief for March 2021
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Boulia Shire Council

Flood Damage Events - Detailed Summary (19/04/2021)

QRA Event Code	Activation	Type	Submitted Value(Inc PM,Esc and Cont)	Approved Submission Value (Inc PM,Esc and Cont)	Final Expenditure (Acquittal)	Comments
BoSC.23.18	March. 2018	REPA	\$ 7,200,421.00	\$ 3,994,189.65	\$ 2,811,273.65	Works Completed. Acquittal in Progress
BoSC.0006.1819G.REC	March. 2019	REPA	\$ 14,706,416.51	\$ 14,231,596.59		Approved, works commenced
BoSC.0011.1920E.EWK	Jan/Feb 2020	Emergency Works	\$ 494,438.07	\$ 494,154.58	\$ 494,438.07	Approved/ Works Complete
BoSC.0008.1920.REC	Jan/Feb 2020	REPA	\$ 450,999.46	\$ 450,999.46		Approved - Donohue only



BOULIA SHIRE COUNCIL

MINUTES OF THE AUDIT & RISK MANAGEMENT COMMITTEE

MEETING HELD ON 29th March 2021

Boulia Shire Council's Administration Building, CEO's Office & via Teleconference

ATTENDEES: Eric (Rick) Britton – Council representative
Peter O'Regan – Independent Financial expert – Chairperson (By teleconference)
Sam Beauchamp – Council representative
David Lloyd - PKF – External Auditor (By teleconference)
Liam Murphy – PKF – External Auditor (By teleconference)
Amy Briggs – Qld Audit Office Representative – (By teleconference)
Tony Walsh – Walsh Accounting – Internal Auditor (By teleconference)
Lynn Moore – CEO (Observer)
Kaylene Sloman – Director of Corporate Services (Minute taker – Observer)
Rahul Bhargava – Finance Manager (Observer)

APOLOGIES: Nil

Opened: 10.32 am

1) CONFIRMATION OF MINUTES FROM PREVIOUS MEETING

The minutes of the Audit and Risk Management Committee meeting held 29th October 2020 and be accepted. *Moved Mayor Eric Britton, Seconded Peter O'Regan* **CARRIED**

2) Reviewed Final Management Letter – Financials 2019-20

David Lloyd addressed the meeting.

- Significant Deficiency of Long Term Asset Management – this will be reviewed at the interim audit, 24th May 2021.
- Mapping SynergySoft / Power BI – will be addressed at the interim audit, 24th May 2021.

Liam Murphy addressed the meeting

- Provision for Landfill, there is a template available as a guideline for the business paper required on the QAO website.
- Feedback between Council and Auditor is critical to keeping the timeline during the audit process

Rahul Bhargava asked what was the issues with the mapping?

David responded with trial balance to Power BI, links from the GL chart to the statements.

3) Review Internal Auditor Reports & Plan

Tony Walsh addressed the meeting

3.1 IT Services & Grants Plan & Report

- IT Overall environment is good
- Depot accessing and performance is an issue, needs reviewing, may need investment made
- Grant administration – documentation could be improved, collation of data

Kaylene Sloman addressed the meeting, SynergySoft now has a Grant module that is being investigated to assist in collating all of the data in one spot for all Grants

Peter O'Regan questioned, Boulia's Revenue standard application.

Tony Walsh advised not too bad last year, recognition of 2 or 3 grants to be recognised

Liam Murphy addressed meeting, across the Councils PKF is involved with, it is a challenge with the new standard for recognition or deferment of income with grant funding.

3.2 Plant & Equipment Audit Plan

- Audit will be conducted onsite from Depot training room

3.3 Internal Audit 3 year plan

Committee accepted all Internal Audit reports.

4) Qld Audit Office Update & External Audit Plan for 2020-21

Amy Briggs addressed the meeting.

David Lloyd address the meeting and ran through the External Audit Plan.

Liam Murphy advised Council to review the dates before signing off the external audit plan and ensure they are achievable, best to make changes now rather than request extension of times.

Kaylene Sloman advised from the 1st of July there will be fortnightly meetings with David and Amy to keep them updated on progress of Draft Statements, closer to the final audit visit these meetings will revert to weekly meetings.

Committee accepted QAO Update report and External Audit Plan.

5) General Business

Eric (Rick) Britton addressed the meeting, Boulia Shire Council and the Audit & Risk Management Committee, have taken Council to the next level.

No further business.

Meeting closed at 12pm (midday)

Our ref: 2020-4020

25 January 2021

Mayor Eric Britton
Boulia Shire Council
Herbert Street
BOULIA QLD 4829

Dear Mayor Britton

Final Management Report for Boulia Shire Council

We have completed our 2020 financial audit for Boulia Shire Council. The Auditor-General issued an unmodified audit opinion on your financial statements.

The purpose of this letter is to update you on any matters that have arisen since we presented our closing report on 10 December 2020.

Please note that under section 213 of the Local Government Regulation 2012, you must present a copy of this report at your council's next ordinary meeting.

Reporting on issues identified after the interim report

I can confirm that we have not identified significant issues since the presentation of our interim report. Issues and other matters formally reported to management and an update on actions taken by management to resolve these issues are included as Appendix A to this letter.

Report to parliament

Each year we report the results of all financial audits and significant issues to Parliament.

This year we intend to include the results of our audit of Boulia Shire Council in our report to Parliament on the results of the Local Government sector. In this report we will comment on the results of our audit of your financial report, any significant internal control issues we identified, and the overall results of the sector, including, major transactions and events. We will discuss the proposed content of our report with your Director of Corporate Services and will continue to consult as we draft our report. Formally, you will have an opportunity to comment on our report and for these comments to be included in the final report.

Audit fee

The final audit fee for this year is \$55,000 exclusive of GST (2019: \$59,392). This fee is lower than the \$58,000 estimated in our external audit plan. We have discussed the key factors contributing to the fee variation with your Director of Corporate Services. In summary the net decrease was due to the following:

- only one site visit performed due to the Covid19 pandemic instead of the planned two, therefore reducing the estimated travel costs; and
- accounting assistance being provided on the finalisation of the financial statements resulting in an increase in the accounting and audit fees.

Financial reporting maturity level

QAO are in the process of finalising a new financial statement preparation reporting tool, called the financial reporting maturity model. This model allows for scalable assessment of financial reporting preparation processes which aims to better reflect the differences in size and maturity of public sector entities. For future years, we are planning to move to assessing the process according to the new maturity model. In the interim we will commence working with management to understand their expected / desired positioning of maturity.

We would like to thank you and your staff for their engagement in the audit this year, and look forward to working with your team again next year.

If you have any questions about this letter or would like to discuss any matters regarding our audit service, please contact me on (07) 3839 9733.

Yours sincerely



Liam Murphy
Engagement Partner

cc Mrs Lynn Moore Chief Executive Officer
cc Mrs Kaylene Sloman Director of Corporate Services

Appendix A1—Matters previously reported












Status

The following table summarises all control deficiencies, financial reporting issues and other matters that have previously been raised but are not yet resolved. The listing includes issues from our report this year and those issues raised in prior years.

Our risk ratings are as follows—refer to [Our rating definitions](#) for more detail.

Internal control issues

Financial reporting issues

Internal control issues			Financial reporting issues		
 Significant deficiency			 Deficiency		
 Other matters			 High		
			 Medium		
			 Low		
Reference	Rating	Issue	Status / Comment Action Date		
Internal control issues					
Issue 1.1 Interim Mngment Letter 25.06.15 15IR1.1		Long Term Asset Management Plans not up to date The long term asset management plan of the Council has not been updated for a number of years. Operational plans of the Council and its long term financial sustainability are all dependent on effective management of the assets.	Work-in-progress To be resolved by the end of the 2021 audit period.		
Financial reporting issues					
19-FR1		Presentation of Financial Statements and Mapping In the prior audit period, issues were identified in relation to the consistency of the mapping of general ledger accounts through to the financial statements. This was due to the implementation of a new accounting package in late 2018. With the 2020 audit year being the first full year on the new accounting package, these issues are not being foreseen. However, this was apparent again in 2020. We would propose the utilisation of an external party to assist with the preparation of the financial statements for the 2021 year to avoid any future delays.	Work-in-progress To be resolved for presentation of 2021 financial statements		
18-CR3.1		Provision for Landfill Restoration As previously noted, the Council has only one landfill site and as at 30.06.20 had again budgeted \$10k in the audit period for restoration during the year. Operational costs were incurred in the rehabilitation of the landfill site for earthworks, restoration and tree planting. A position paper was prepared by Council, however, it did not fully detail the final costs if any to rehabilitate the landfill site.	Work-in-progress To be resolved June 2021		

Appendix B—Our rating definitions



Internal rating definitions

	Definition	Prioritisation of remedial action
Significant deficiency 	<p>A significant deficiency is a deficiency, or combination of deficiencies, in internal control that requires immediate remedial action.</p> <p>Also, we increase the rating from a deficiency to a significant deficiency based on:</p> <ul style="list-style-type: none"> • the risk of material misstatement in the financial statements • the risk to reputation • the significance of non-compliance with policies and applicable laws and regulations • the potential to cause financial loss including fraud, or • where management has not taken appropriate timely action to resolve the deficiency. 	<p>This requires immediate management action to resolve.</p>
Deficiency 	<p>A deficiency arises when internal controls are ineffective or missing, and are unable to prevent, or detect and correct, misstatements in the financial statements. A deficiency may also result in non-compliance with policies and applicable laws and regulations and/or inappropriate use of public resources.</p>	<p>We expect management action will be taken in a timely manner to resolve deficiencies.</p>
Other matter 	<p>An other matter is expected to improve the efficiency and/or effectiveness of internal controls, but does not constitute a deficiency in internal controls. If an other matter is not resolved, we do not consider that it will result in a misstatement in the financial statements or non-compliance with legislative requirements.</p>	<p>Our recommendation may be implemented at management's discretion.</p>

Financial reporting issues

	Potential effect on the financial statements	Prioritisation of remedial action
High 	<p>We assess that there is a high likelihood of this causing a material misstatement in one or more components (transactions, balances and disclosures) of the financial statements, or there is the potential for financial loss including fraud.</p>	<p>This requires immediate management action to resolve.</p>
Medium 	<p>We assess that there is a medium likelihood of this causing a material misstatement in one or more components of the financial statements.</p>	<p>We expect management action will be taken in a timely manner.</p>
Low 	<p>We assess that there is a low likelihood of this causing a material misstatement in one or more components of the financial statements.</p>	<p>We recommend management action to resolve; however, a decision on whether any action is taken is at management's discretion.</p>



**Boulia Shire Council
Internal Audit Report**

**Information Technology Services
Grants Administration**

December 2020

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1. Executive Summary

This internal audit project focussed on two distinct activities – Information Technology Services and Grants Administration. Audit also carried out a desktop review of the EBA Backpay, however as this is simply a follow-up review which satisfactorily verified work undertaken since the previous HR and Payroll audit, it has not been included in this report.

Generally, the IT network seems to be operating well with a sound network support contract in place, a recent server and infrastructure upgrade, and satisfactory performance reports. The only performance deficiency seemed to be slowness for the depot users, presumably due to the wireless connection. There are also some recommendations made relating to the need for long term planning, business continuity planning and disaster recovery arrangements.

In relation to grants Administration, Council has considerable experience in applying for and administering grants therefore systems are mostly satisfactory. Audit noted that records are kept in hard copy, H Drive and on Info Expert, therefore it was recommended that this be streamlined. It has also recommended that, in light of the new revenue accounting standards, Council perform regular reviews of expenditure to ensure grant expenditure is being accurately captured, grants are being expended in a timely manner and the classification of asset and operating expenditure is correct. This will assist in end of year categorisation of the revenue items.

Internal audit acknowledges that staff of Boulia Shire Council (BSC) fully cooperated in the audit review and we thank all staff for their assistance.

2. Objectives of the Internal Audit Project

The purpose of this assignment was:

Information Technology (IT) Services

1. Identify key components of the IT function;
2. Assess effectiveness against standard industry benchmarks;
3. Identify key risks and controls with the IT systems.

Grants Administration

1. Assess Council's systems for identifying grants, management and acquittals;
2. Review Council's grant management procedures and staff training in this area;
3. Review adequacy of grant documentation;
4. Assess the effectiveness of grant management systems and monitoring/reporting practices;
5. Test accuracy of revenue recognition and reporting.

3. Information Technology Services

3.1 Personnel Interviewed

As part of the review process, interviews and checklist 'walk-throughs' were held with:

- Harin Karra, Acting Chief Executive Officer
- Kaylene Sloman, Manager Financial Services
- Rahul Bhargava, Finance Manager
- Linda Welldon, Payroll officer
- Carol Smith, Finance officer
- Joseph Kim, Technical Officer

- Kristell Steinhardt, Administration Officer
- Danileah Stewart, Records officer
- Peter Morris, Partner – Shire Networks

3.2 Description of Project

Council’s general IT support/management services are provided by an external supplier under a contracting arrangement. The supplier provides remote network and desktop support and liaises with staff for onsite requirements.

Council also carried out the replacement of its financial system in 2018. A consortium of Councils has undertaken the financial system changeover. The new system is the Synergy Soft program (supplied by IT Vision). This system has now been operational for over 2 years, providing a reasonable time to assess its overall effectiveness. IT Vision also offers an add-on the Synergy Soft called Altus. This system provides a more user-friendly environment for processing and reporting. Council has commenced with installation of two Altus modules at this stage.

Synergy Soft is the financial system and is part of a suite of Council programs which are required to integrate to meet various information needs.

The review involves an assessment of Council’s approach to overall IT management including:

- IT Governance and strategy
- Operations, guidelines, support and maintenance procedures
- Backup and security
- User training
- Business continuity and disaster management
- IT planning and budgeting
- Monitoring and control

The risk framework and control measures examined in this audit are summarised in the following table:

Risk Identification	Typical Control Measures
<ul style="list-style-type: none"> • Catastrophic failure and loss of information. • Significant business interruption. • External corruption of systems (hacking). • Ineffective performance and financial reporting, and therefore monitoring and control. • Inefficiencies in information processing due to limitations in information systems. • Theft of IT equipment and devices • Theft of data/privacy breach 	<ul style="list-style-type: none"> • Adequate IT governance - planning, risk management, policies and procedures. • Consistent and reliable backup and recovery processes in place. • Controls over program installations. • Suitable management structures, training and support. • Comprehensive IT infrastructure planning. • Appropriate service agreements and service levels. • Appropriate contract management. • Software license management. • Internet access policies in place and communicated. • Disaster contingency plan (business continuity) in place. • Oversight of information reporting systems

Audit also conducted a ‘module by module’ review of controls at the operational level to assess effectiveness of the Synergy Soft financial system and the Altus system under development, and to assess how controls in the new system meet standard benchmarks. This requires testing at a detailed level, as well as observing module owner’s knowledge of the control environment. Risks associated with the financial system are:

Risk Identification	Typical Control Measures
<ul style="list-style-type: none"> • Inadequate security of new system • Processing fraud or error due to control deficiency • User lack of knowledge of controls • Poor control management 	<ul style="list-style-type: none"> • Controls testing • User training • Workplace procedures and manuals • System monitoring • Management oversight

3.3 Scope Limitation

The IT services review does not include any technical assessment of IT architecture or infrastructure.

3.4 Description of Systems

Council’s IT Services are provided through a contracted service arrangement. The services are delivered remotely from a Toowoomba based provider with no onsite support team. The service provider works with Council management to manage the onsite server and back-up processes, and has architecture documentation in place for the Council network. Council also has a range of IT policies in place.

The software environment consists of the standard suite of Office programs, the Synergy Soft financial system (since 2018), and Info Expert records system. Other special purpose programs are installed as required.

3.5 Findings

Audit has assessed the existing IT environment against standard business benchmarks for effective IT governance. This does not include a review of IT architecture or technical standards. A summary of findings against the key risk criteria is shown in the table at *Attachment One*. Overall, the network structure, operations, security and performance are working well. However, the one area of performance deficiency seemed to be the speed of the network for depot users. This was reported by the depot staff, and was observed by audit when attempting to open standard programs. Whilst we did not assess the technical setup of the network, it is understood the speed issues relate to the wireless connection to the depot. Due to the network speed, some users are having to work on large files in the personal C Drives, and are only saving these files to the network at the completion of the job. This increases the risk of loss of corporate data if there are any issues with the desktop computers.

Council has indicated it is seeking funding for a hard-wired link to the depot which will over-come this problem, if successful. This will also assist with other recommendations referred to below, therefore this improvement is supported by audit.

The Shire Networks contract does not apply performance standards as part of a Service Level Agreement. However, this is not recommended at this time as, based on user feedback, the current service response seems to be working well, and moving to a more formal service level arrangement may actually cost Council more without necessarily delivering a better outcome.

Recommendations from the audit are as follows:

3.5.1 IT Strategy

There is a current 10-year replacement plan in place, but not an overall IT strategy. This is considered important to set the direction for IT development and to inform whether new infrastructure may be required in future. An IT strategy will ideally include the expected IT needs for the foreseeable future, opportunities for taking advantage of new technology (e.g. cloud), infrastructure and asset requirements, and a financial plan.

Recommendation

That Council work with Shire Networks to develop a long-term IT Strategy to set the direction for IT infrastructure and inform future budgets.

Management response

Agree

Management Comment

Council will consult with Shire Networks to improve our current replacement schedule and create an IT Strategy for the future.

3.5.2 Business Continuity Plan

Council has established some arrangements for business continuity response in event of disruptions (e.g. backup power generator). However, not all scenario responses have been fully documented in the Council BCP. As IT Services is such a critical link in Council operations, it generally would warrant its own business continuity plan.

Recommendation

That Council develop a more detailed BCP for Information Technology dealing with a range of scenarios e.g. loss of server room, loss of internet connectivity, loss of power. This requires a step by step action for different scenarios, and ideally this plan should be tested for effectiveness.

Management response

Agree

Management Comment

Council will review the IT section of the BCP and will include scenarios that can be tested for future effectiveness.

3.5.3 System Security and Backup

The current back-up procedures are working well and are monitored closely by Shire Networks. This requires two alternating back-up tapes being taken off-site daily and stored at an employee's private residence. The back-up will always be one day behind, as the backup only occurs overnight.

In the event of a significant disruption (e.g. loss of the server room), Shire Networks would be required to deliver a replacement server to Boulia and have it installed in a suitable location. This would be dependent on a location with connectivity and suitable staff resources being available. There is some risk that this strategy could result in major delays in the event of a disaster.

It is understood that any cloud-based alternative is not viable at present due to inconsistency in internet connectivity. An alternative may be to establish a secondary server at the depot with fibre connectivity to the Administration centre.

This would provide an alternative for disaster recovery but would also improve the performance at the depot, and reduce the need for files to be kept on C Drives. It may also provide options for 'mirroring' on a secondary server to be used as a back-up.

It is acknowledged that the above would be a significant cost and would most likely require an investment over time.

Recommendation

That Council investigate with Shire Networks the possibility of a secondary server at the Council depot with fibre connection to the Administration centre. Further that this be considered as part of the long-term IT Strategy referred to above.

Management response

Agree

Management Comment

Management is currently investigating options for improved connectivity between locations especially the Depot and Administration. Currently awaiting further information to come to hand.

3.5.4 Password Protocols

The current password protocols are very weak and increase the risk of the network being compromised. This has been addressed in the IT Policy recently submitted to Council.

Recommendation

That the revised password requirements as per the policy be implemented as soon as possible. Further, training be provided to staff to ensure they are aware of the importance of secure passwords, and the most effective way to create memorable passwords.

Management response

Agree

Management Comment

Currently in progress to educate the Staff and updating the password protocols.

3.5.5 Remote Devices

There are a small number of remote devices that are potentially attached to the network but are not fully under the control of Shire networks e.g. CCTV security system and the solar panel systems. As these devices are identified, they are captured in the architecture design document, and tested for appropriate security. However, it is important that Council remains diligent regarding any devices which may be added to the network, as they are a potential access point for system hackers.

Recommendation

That Council continue to monitor and track all devices which potentially connect to the network, and report these to Shire Networks to ensure they are effectively controlled and secure.

Management response

Agree

Management Comment

We will review these devices and ensure if there is a connection to the network that a listing of the devices being used. Some of the systems are cloud based and do not connect to the network.

3.6 Synergy Soft Controls

A review has been carried out of the SS control environment and the controls within the new Altus system modules. Audit has not reviewed the overall performance of SS, as this is outside the scope of this audit and was undertaken as part of the procurement process. The program is a complete business package, developed over many years with various Council users and clients. As a result, the system contains the standard controls expected to be seen in a corporate business application. The flexibility of user security settings within the SS modules is strong.

There are also many internal controls built into the system (such as electronic authorisation and pre-set delegation limits) which add to the control effectiveness. The main fault with the system from a control environment is some limitations in the audit trail reporting. This is currently being addressed with the provider but has not been fully resolved.

4. Grants Administration**4.1 Project overview**

The project reviewed the effectiveness of grants administration including recording of grants across all council activities, grant acquittals, effectiveness of expenditure management against grant income, timeliness of grant responses, and compliance with funding body requirements.

The following risks are examined in the Grant Administration review:

Risk Identification	Typical Control Measures
<ul style="list-style-type: none"> • Loss of grant funds due to inadequate monitoring or acquittal processes. • Unexpected costs due to grant over-expenditure. • Non-compliance with grant conditions. • Grants have been inaccurately recognised. 	<ul style="list-style-type: none"> • Procedures for identifying and sourcing grant revenue. • Documented systems and procedures for managing grants. • Adequate processes for monitoring grant expenditure. • Timely and accurate acquittals. • Processes for ensuring grant income is accurately recognised.

Council applies for a large number of grants which also make up a large proportion of revenue (including the flood damage program). Council relies heavily on this funding. Council does not use the Grants

Module in Synergy Soft as it does not link to the general ledger. However, because of a history of managing significant grants, Council has record keeping in place through internally developed reports.

4.2 Findings

In general, supporting documents for grant administration are captured through hard copy files, documents in Info Expert, or on the network 'H' drives. The grants are mainly controlled by the relevant departmental project manager. However, there is centralised summary reporting through Corporate Services. From the sample of grants reviewed, there is a process in place to ensure that grant reporting is undertaken, acquittals are completed and documentation is lodged with the funding body. Quite regularly, extensions to timeframes (and sometimes budgets) are required, indicating a need to ensure grant outcomes are delivered more effectively at times.

With the introduction of the new Accounting Standards AAS15 and AAS1058, it will be important for Council to track and classify grant income and expenditure accurately and in a timely manner.

Recommendations

1. That Council streamlines its grants administration by requiring all supporting documentation to be saved in Info Expert (ideally in chronological order) for ease of reference.
2. That council establish regular monitoring of the accuracy of expenditure against the grant program, including the classification of capital and operating expenditure. This should involve both the Finance and the Project Manager and ideally should happen at least quarterly, if not monthly, to ensure the grants program timelines are being achieved.

Management response

Agree

Management Comment

Meetings are now schedule quarterly to review all grant projects that are currently in progress as well as a review on upcoming grant projects. A financial reconciliation of expenditure and committed orders is reviewed during this time.

Authorised:



Tony Walsh
Walsh Accounting
Internal Auditor

APPENDIX ONE – Information Technology Assessment

Assessment results

Benchmark requirement	Status	Comments
Governance		
IT strategic plan/asset plan adopted and regularly reviewed		No long-term strategy formally adopted, although 10-year budget plan for upgrade of existing devices is in place
IT annual operational plan/project plan adopted		Formalised in annual budget only
IT policies and procedures adopted and understood		IT Policy recently put to Council
Staffing and Services		
IT staffing/support structure appropriate for organisation needs		Current support levels through Shire Networks adequate for Council requirements
IT training regularly provided to users		Training provided on 'as required' basis or when opportunities arise, or on-the-job. Not a structured annual training environment for IT use and applications.
Engagement of users in IT Services		Not a formal consultation 'user group' process but staff seem well versed in IT issues.
Network system service standards in place		Agreement with Shire Networks
IT support service standards (SLA) in place		No formal service standards or reporting, but general service agreement with Shire Networks.
Regular reporting against SLA agreed standards		No formal service standards or reporting, but not required at this stage
Network Security		
Business Continuity Plan adopted and regularly reviewed		Some reference to IT Business Continuity in Council's overall BCP. However does not sufficiently document steps to take in the case of various scenarios e.g. loss of server room, loss of internet connection
BCP and Disaster recovery Plan tested		Some testing has occurred of power failure etc but not a complete recovery operation
Appropriate backup regime in place		Onsite and offsite backups maintained. One-day delay and is heavily monitored by Shire Networks. Actual recovery process in event of loss of server room requires some consideration
Software licensing controlled and maintained		All software controlled through Management in conjunction with Shire Networks.
Adequate physical controls over network servers and equipment		Server room is secure and climate controlled. Recent upgrade has helped.
Appropriate physical controls of onsite equipment and software		Only a small number of users so can be controlled in local office.
Appropriate network security systems and standards		Firewall protection maintained through Shire Networks

Benchmark requirement	Status	Comments
Password Protocols meet appropriate best practice standards		Currently no password requirements however this will change with the new policy. Still to be implemented.
Appropriate internet and email use policies adopted and communicated		Staff seem to generally be aware of the policies.

Synergy Soft Application Control Assessment

Control Requirement	Status	Comments
Master control security structure restricting user access only to necessary modules/elements		Security structure provides a matrix of restrictions for viewing, adding, modifying, deleting data by individual modules. Also, possible to restrict certain elements within the structure.
Electronic authorisation processes for approval by supervisor e.g. approval by delegated officer of requisition request		Authorisation processes in place in modules reviewed.
Audit trails of transactions and processes in the system		Audit trails do exist in the system, but reports are of limited value and need improvement.
Guidelines and manuals in place to ensure users are following correct control procedures		Evidence of detailed and user-friendly system manuals available for all modules to assist user processing.
Standard reporting structure for business-critical information		Standard suite of reports currently available but will not provide full array currently available to Council until report customisation is further developed. Power BI and Altus modules are expected to improve this aspect.

**Bouliia Shire Council
Internal Audit Plan
Plant and Equipment
April 2021**

1.0 Introduction

Plant and Equipment (P & E) makes up a large part of the Council asset base and is essential for effectiveness and efficiency of Council general operations. Inherent risks for the different P & E assets types tend to be:

- Large Plant - utilisation, optimisation, and cost recovery.
- General equipment - misuse and under-use, and loss or theft.

2.0 Audit Risk Identification

The following table summarises the audit risks being assessed and the control measures expected:

Risk Identification	Typical Control Measures
<ul style="list-style-type: none"> • P & E assets are reported but do not exist. • P & E assets exist but have not been reported. • Inaccurate or inappropriate depreciation calculations for P & E. • Additions and disposals are not correctly processed or recorded. • Additions & disposals not sufficiently planned or managed. • Inappropriate use of plant and equipment. • Significant inefficiencies in plant and equipment utilisation. • Plant hire not being charged or incorrectly charged. • Theft, loss or damage of P & E. 	<ul style="list-style-type: none"> • Depreciation rates and parameters are regularly reviewed. • Unauthorised movements of assets and access to plant are restricted. • Adequate physical safeguards against fire, theft etc. • Secure facilities are provided for valuable items of plant. • Long-term plant replacement plans are prepared and regularly reviewed. • Regular physical inspections are carried out and agree to assets registers. • Insurance covers are adequate and regularly reviewed. • Portable and attractive items are monitored through registers. • Large Plant utilisation is measured and reported regularly, with sufficient oversight. • Charge-out processes exist and are followed for P & E. • Duties are segregated with effective supervision.

3.0 Audit Activities – Plant and Equipment

The overall audit approach is:

- Identification/confirmation of the key risks associated with P & E;
- Data analysis of information from the financial system or other corporate systems;
- Interviews and enquiry with key personnel;
- Observation and walk-through of work practices;
- Identification of authorisation processes and supporting documents;
- Benchmarking against industry standards;
- Testing of documents and records to identify deviations from registers and controls.

Specific audit procedures will involve:

- Assess procedures for undertaking and maintaining a physical record of plant and equipment (include test check of actual registers).
- Review depreciation rates and parameters relating to P & E, and test accuracy of depreciation calculations.
- Observe and verify physical safeguards over plant and equipment at various locations.
- Confirm and test insurance records for accurateness and adequacy.
- Review procedures for recording and reporting plant utilisation and costs.
- Review plant utilisation rates against established benchmarks.
- Review procedures and documentation for acquisition and disposal of P & E.
- Review procedures for managing portable and attractive plant items.

4.0 Timeframes

It is expected that this internal audit project will take place within 1 week. The project will be carried out in the week commencing 26 April 2021. A report will be provided within two weeks of audit completion.

APPENDIX TWO – Proposed Schedule of Internal Audit Activities

RISKS AND CONTROLS

Activity/Work Area	Risk Identification	Typical Control Measures
Purchasing, creditors and payments <i>October 2019</i>	<ul style="list-style-type: none"> • The risk that entire payments have been made that should not have been made. • The risk that overpayments or underpayments have been made. • The risk that payments have been made to the wrong payee. • The risk that payments have been reported in the wrong period. • The risk that creditors have been overstated or understated. • The risk of fraud resulting from management override of controls. • The risk of fraud due to inappropriate contracting practices (e.g. related party transactions). • The risk of inappropriate purchases due to lack of probity over purchasing systems and credit card use. 	<ul style="list-style-type: none"> • Duties are segregated between purchasing and accounts payable. • Purchase requisitions and orders are made in accordance with Council Purchasing Policy. • Receiving records are made of all goods received. • Deliveries are checked, and claims are made for short shipments, etc. • All invoices and receiving records are directed to accounts payable, rather than purchasing. • Purchase orders are used only by persons with appropriate delegation. • Invoices are checked against purchase orders and receiving records. • Documentation is properly cancelled or defaced to avoid re-submission. • All documents which are not matched are investigated on a regular basis. • Bank transfers are controlled and counter-signed. • Supplier statements are reconciled regularly. • The creditors listing is supported by goods received records. • Unprocessed invoices are reviewed at year end. • Open orders are reviewed. • Supervision is effective.

<p>Rates, Sales, Debtors, and Cash receipting</p>	<ul style="list-style-type: none"> • The risk of errors or omissions in the invoicing process, especially the risk that client has not captured all revenue generating activities, but also including the risk that pricing and times or quantities might be incorrect. • The risk that debtors have been materially understated, principally as a result of omissions, credits, write-offs and/or inflated provision for doubtful debts. • The risk that debtors have been materially overstated, either by overstated invoices or inadequate provision for doubtful debts. • The risk that invoices have been made out to the wrong debtor. • The risk of loss or theft of cash through poor cash handling and banking practices. • The risk of fraud resulting from management override of controls. 	<ul style="list-style-type: none"> • Duties are segregated, particularly in relation to ordering, invoicing and handling of receipts. • All invoices are supported by relevant documentation. • Invoices are promptly processed. • Statements are promptly sent to debtors. • All revenue raising areas in all locations have been captured. • Controls exist to ensure that all invoices are properly posted to the general ledger. (e.g. Debtors and ledger are integrated. It is not possible to post an invoice to debtors without posting it to ledger). • All receipts are sequentially pre-numbered and adequately accounted for. • Unexpected cash counts are conducted. • All amounts received are deposited intact and promptly. • Daily deposit totals, debtors postings and cash sales are reconciled. • There are effective credit checks on, particularly, new customers prior to shipment. • Credit limits are enforced. • Effective supervision.
<p>Contract Management Systems</p>	<ul style="list-style-type: none"> • Risk of fraud in relation to contracts and tenders • Risk of poor value for money outcomes • Risk of legal action due to contract disputes • Risk of non-compliance with legislated requirement 	<ul style="list-style-type: none"> • Contract management procedures adopted and distributed • Education and training of key personnel and suppliers • Contract register maintained • Consistent reporting against contract outcomes • Management/Council oversight of key contracts
<p>Stores and Inventory Management</p>	<ul style="list-style-type: none"> • The risk of loss or theft of poorly secured inventory items. • The risk that goods inwards have been overstated, understated or not recorded. 	<ul style="list-style-type: none"> • Duties are segregated. • Unauthorised access is restricted. Valuable items are properly secured. There is a responsible storekeeper. • There is adequate protection against fire and deterioration.

	<ul style="list-style-type: none"> • The risk that goods issued have been overstated, understated or not recorded. • The risk that inventory at year end has been overstated or understated. • The risk that inventory has been posted to the wrong ledger accounts. • The risk of fraud resulting from management override of controls. 	<ul style="list-style-type: none"> • Insurance cover is adequate and regularly reviewed. • Items received into stock are properly controlled. • Stock usage and transfers are properly controlled. • Stocks held by third parties are properly controlled. • Independent regular stock counts are performed. • There are adequate stock take instructions issued. • Results of stock counts are independently reviewed, differences are investigated and adjustments approved. • Supervision is effective.
<p>Property, Plant and Equipment, including Portable and attractive items Plant recovery</p> <p><i>Scheduled for April 2021.</i></p>	<ul style="list-style-type: none"> • The risk that one or more non-current assets does not exist. • The risk of loss or theft of plant and equipment. • The risk of inappropriate or inefficient use of plant and equipment. • The risk of plant hire not being charged or incorrectly charged. • The risk of inadequate return on commercial and residential buildings. 	<ul style="list-style-type: none"> • Duties are segregated. • Unauthorised movements of assets and access to plant are restricted. • There are adequate physical safeguards against fire, theft etc. • Secure facilities are provided for valuable items of plant. • Regular physical inspections are carried out and agree to assets registers. • Insurance covers are adequate and regularly reviewed. • Portable and attractive items are monitored through registers. • Large Plant utilisation is measured and reported regularly. • Charge-out processes exist and are followed for plant and equipment • Regular review of leasing arrangements for Council assets • Effective supervision.