

CITY OF BUNBURY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Bunbury Harvey Regional Council (BHRC) Joint Venture	No	✓			✓
2. Information Technology Controls	No		✓		
3. Procurement – Segregation of Duties	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 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.

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PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Bunbury Harvey Regional Council (BHRC) Joint Venture

Finding 2024

We noted that although the City did account for their investment in BHRC using the equity method in accordance with AASB 128, a concrete agreement determining the actual split between the City of Bunbury and the Shire of Harvey is still yet to be finalised.

Therefore, the issue is still not resolved. This issue has now been outstanding for a number of years.

Finding 2023

We noted that although the City did account for their investment in BHRC using the equity method in accordance with AASB 128, a concrete agreement determining the actual split between the City of Bunbury and the Shire of Harvey is still yet to be finalised.

Rating: Significant

Implication

The City's share of net assets as disclosed in the financial statement of BHRC is reflected in their accounts, however a reasonable split has been used as opposed to an agreed split as determined by a concrete agreement, hence potentially misstates the City's net asset position and corresponding profit/loss position.

Recommendation

The City should come to an agreement with the Shire of Harvey to seek final clarification of its share in BHRC to be able to include its interest in the BHRC accurately in the future.

Management comment

The process to reach an agreement between the City and Shire of Harvey on the equity split of the BHRC is still on-going. In September 2024, BHRC engaged consultant Mark Newman to conduct a review of BHRC and to assist both the Shire of Harvey and the City resolve the share of equity issue. Unfortunately, Mr Newman resigned before completing this project. Negotiations are continuing between the Shire of Harvey and the City.

Responsible person: Alan Ferris, CEO
Completion date: 30 June 2024

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2. Information Technology Controls

Finding

During our review of information technology systems and controls, we identified the following weaknesses to be addressed:

1. IT personnel performance indicators have not been established and therefore not being reported on a regular basis; and
2. The business continuity plan is not tested on a periodic basis.

Rating: Moderate

Implication

Lack of IT performance indicators increases the risk of the IT resources not being aligned to the City's strategies and priorities.

The identified weaknesses in the City's IT framework leaves the City vulnerable to potential cyber security threats and data breaches. Without proper processes to follow, employees may not have the knowledge and skills to recognise and respond to security incidents, making them more susceptible to phishing attacks, malware infections, and other cybersecurity risks.

Recommendation

The City should look to address the above weaknesses to help reduce risks relating to IT to an acceptable level.

Management comment

1. Performance indicators are present in the form of achieving key outcomes through projects and other initiatives established in the ICT plan, the IT team's performance is regularly monitored against these objectives. We will continue to refine our performance indicators as needed to ensure alignment with the City's strategies and priorities.
2. Correct, not tested due to major uplift project in progress which will significantly change the plan.

Responsible person: Elijah Glass, Manager Information Services
Completion date: N/A

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3. Procurement – Segregation of Duties

Finding

Our sample testing of expenditure internal controls noted the following:

1. an instance (out of six transactions tested) where the purchase order was dated after the date of the corresponding supplier invoice was received.
2. two instances (out of six transactions tested) where the purchase order was raised, approved and matched to the supplier invoice by the same employee.

Rating: Moderate

Implication

Purchases made without authorised purchase orders or proper segregation of duties increases the risk of unauthorised purchases being made.

Recommendation

All purchase orders are to be raised prior to the authorising of works/services or ordering goods. This will help to ensure works/services or goods have been appropriately authorised,

The City should also review its current procurement processes by mandating independent reviews to ensure appropriate segregation of duties.

Management comment

1. The supplier, Picton Civil are contracted by the City to provide for Wet/Dry Plant Hire. So while a Purchase Order was not raised, the plant hire rates were known.

The Coordinator Works has advised that there were 3 POs raised previously for the same site undertaking the same works, they were 253701, 251768, and 251417. The explanation from the team was that they believed a PO was still open covering the works. Unfortunately, as Picton Civil has a habit of invoicing months later, it resulted in those open POs being used for other late invoices and this invoice ending up having no PO.

2. The City's purchasing procedures allow for the same employee to raise a Purchase Order and to confirm receipt of the goods/services as shown on the invoice, to allow payment to be made. The City mitigates this loss of segregation of duties by allocating purchasing limits according to requirements of that position. This control together with the City's Purchasing Policy allows for the efficient purchase of goods and services.

Responsible person: David Ransom, Manager Finance
Completion date: N/A