

City of Melville

PERIOD OF AUDIT: 30 June 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Infrastructure Revaluation – Condition Assessment Data	X		
2. Payroll Reconciliation	X		
3. Rates Revenue – Landgate Rateable Values		X	
4. Unscheduled Vulnerability Scans		X	
5. User Access Reviews can be Enhanced		X	
6. User Access Termination Documentation can be Improved			X
7. Untested Backup Restore Capabilities		X	
8. Undocumented IT Processes		X	

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.

City of Melville

PERIOD OF AUDIT: 30 June 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Infrastructure Revaluation – Condition Assessment Data

Finding

The City continues to invest significant time and resources in the process and methodology of the annual valuation of its drainage network. It was noted that for the year ended 30 June 2019 the City has commenced physical inspection of the City's network. Focussing on those areas, which presented a higher risk of divergence from the City's documented useful life. We also note that some lower risk areas were also inspected. This provided a reasonable level of assurance as to the City's assessment of remaining useful life of the network as a whole. Further inspections of this type will provide greater assurance in calculating this important estimate.

Rating: Significant

Implication

Performing condition assessments of the City's drainage network is crucial to determine the actual condition and rating of pipes and pits and assessing the remaining useful life of the City's drainage network.

Recommendation

The City continue to improve its inventory and condition data by comparing drainage condition to age based residual useful life to provide further assurance on the depreciated replacement cost (fair value) of its drainage assets.

Management Comment

Agree. The City will continue with its condition assessment program to provide further assurance on the depreciated replacement cost (fair value) of its drainage assets.

Responsible Person:

Director Technical Services

Completion Date:

This is a four year program which commenced in 2018/19.

City of Melville

PERIOD OF AUDIT: 30 June 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Payroll Reconciliation

Finding

We noted that the City only performed its payroll reconciliation between the City's general ledger and payroll system at year end.

Rating: Significant

Implication

The payroll reconciliation is a key reconciliation for the City. Without this reconciliation being performed on a regular basis there is an increased risk for fraud and or errors to go undetected and not be identified in a timely manner. This could result in significant variances at year end.

Recommendation

The City should perform the payroll reconciliation at the end of each fortnightly pay run or monthly as part of key reconciliations performed by the City.

This reconciliation should be reviewed by an individual independent of preparation and evidenced accordingly.

Management Comment

Agreed. Payroll is a significant expense for the City and it has a number of internal controls in place for the fortnightly payroll including exception reporting, manager review and sign off of employees paid, variance reporting, FTE reviews and ELT reporting. The recommendation will complement and strengthen the controls and assist in early identification of any potential issues.

The City will implement a quarterly payroll reconciliation process with the general ledger.

Responsible Person:

Manager Financial Services

Completion Date:

The reconciliation will be implemented for the quarter ending December 2019. The first quarterly reconciliation will be completed by 31 January 2020.

City of Melville

PERIOD OF AUDIT: 30 June 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

3. Rates Revenue – Landgate Rateable Values

Finding

We note interim valuations provided by Landgate are manually entered into the Pathway system by rates staff. We understand the supervisor independently reviews changes made, however during the audit there was no evidence retained to support this independent review.

Rating: Moderate

Implication

This documentation is an important part of the rate setting process and effective control procedures should allow for independent review to be evidenced.

Recommendation

To help ensure all changes made are correct and authorised an audit trail supporting the independent review should be retained. The independent review should seek to confirm the integrity of the changes made.

Management Comment

Agreed. This change has already been implemented.

Responsible Person:

Manager Financial Services

Completion Date:

This change has already been implemented.

City of Melville

PERIOD OF AUDIT: 30 June 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

4. Unscheduled Vulnerability Scans

Finding

We noted that vulnerability scans, are done on an ad-hoc basis and have not been performed recently. There is no schedule to have these tested on a periodic basis.

Rating: Moderate

Implication

Without periodic vulnerability scans, the Council might not obtain reasonable assurance that adequate controls are in place to limit the risk of exposure to hacker / intruder attacks. Significant weaknesses in the Councils IT security architecture might not be identified and remediated on a timely basis.

Recommendation

It is recommended that a process to regularly perform vulnerability tests of the IT infrastructure be established in order to improve IT security.

Management Comment

Noted and agreed with recommendation. A high level plan was developed in 2017/18. This plan will be reviewed and updated for consideration by the Executive Leadership Team by March 2020.

Responsible Person:

Manager Information & Communication Technology

Completion Date:

31 March 2020

City of Melville

PERIOD OF AUDIT: 30 June 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

5. User Access Reviews can be Enhanced

Finding

We understand that management performs user access reviews of user accounts of Aurion on an ad hoc basis, however the results of this exercise is not documented. User access reviews for Pathways only considers the currency of users, without validating assignment of user access privileges.

Notwithstanding the above, the FinanceOne user access review is performed annually.

Rating: Moderate

Implication

Undocumented user access reviews limit accountability and visibility in the execution of the user access review, which can lead to deficient execution of the review. In addition, without periodic validation of assigned user access privileges, the organisation might not be able to identify incorrect assignment of these privileges due to failures in the execution of the user creation control or due to organisational changes.

Recommendation

We recommend management finalise implementation of a formal user access review for Aurion and enhance the review for Pathways in order to re-confirm currency of users and perform validation of individual user account privileges or roles of key systems.

Results of this review should be documented and appropriately communicated.

Management Comment

For Aurion - noted and agreed with recommendation. Formal user access review will be implemented each quarter commencing December 2019. For Pathway – noted and agreed. The ability to assess privileges is closely aligned to achieving “undocumented IT processes”, particularly for modifying existing users on a temporary or permanent basis.

Responsible Person:

Manager Information & Communication Technology

Completion Date:

31 March 2020

City of Melville

PERIOD OF AUDIT: 30 June 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

6. User Access Termination Documentation can be Improved

Finding

For a sample of terminated users, we were not able to obtain evidence to determine whether user access was deactivated on a timely basis. This is due to Management only retaining Employee Services notifications with no record kept on when user access accounts are deactivated. However, we note user access for all sampled terminated staff members was deactivated as at the time of our testing.

Rating: Minor

Implication

Undocumented user access termination processes limit accountability and visibility in the execution of the user termination steps undertaken, which can lead to deficient execution of control.

Recommendation

We recommend management implement the requirement to document when user access accounts are deactivated to evidence that user access accounts are deactivated on a timely basis on termination.

Management Comment

Noted and agreed with recommendation. Formal organisation wide policy on the termination of accounts has not been agreed so assessment is currently ad-hoc. Formal process to be documented and agreed by February 2020.

Responsible Person:

Manager Information & Communication Technology

Completion Date:

29 February 2020

City of Melville

PERIOD OF AUDIT: 30 June 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

7. Untested Backup Restore Capabilities

Finding

We confirmed with IT management that backup processes and resources to restore information from financial applications have not been formally tested. Thus effectiveness of the current backup solution has not been fully tested to ascertain if it is appropriate in a data loss situation.

Rating: Moderate

Implication

Without periodic formal testing of data restoration measures and procedures, the Council might not be able to obtain reasonable assurance that these are effective in a data loss situation caused by cyber security incidents, malfunction or external events.

Recommendation

We recommend management:

- Formalise requirements to perform a periodic test of backup capabilities.
- Perform and document testing of information restore procedures and resources based on a scenario where a complete restore of Navision data is required.
- Revise information restoration processes based on results from above testing.

Management Comment

Noted and agreed with recommendation. This process would need to be agreed with the City recovery time objective and more critically the recovery point objective, particularly in regard to the application and associated unstructured information versus the structured database information. Will be reviewed by April 2020.

Responsible Person:

Manager Information & Communication Technology

Completion Date:

30 April 2020

City of Melville

PERIOD OF AUDIT: 30 June 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

8. Undocumented IT Processes

Finding

We have observed instances where policies and procedures were not developed:

- a) New User Account Creation Procedure
- b) Modify User Account Procedure
- c) Off board User Account Procedure
- d) Change Management Policy

Therefore, there are no instruments to affirm Council's expectations in relation to the above.

Rating: Moderate

Implication

Undocumented IT processes might lead to loss of key knowledge and inadequate execution of IT processes not in line with the City's expectations.

Recommendation

We recommend management review the above policies and procedures in order to develop, clarify or add missing elements to ensure these policies and procedures are fit for purpose and align to the City's expectations.

Management Comment

Noted and agreed with recommendation – all items had already been identified. The City has created an IT Governance and Steering Committee to review, prioritise and resource the development of the policies.

Responsible Person:

Manager Information & Communication Technology

Completion Date:

31 March 2019