

Tuesday, 4 February 2020
Contact: Marten Tieleman -9364 0610
Our Reference : 5487172

Hon. Minister David Templeman
Minister for Local Government; Heritage; Culture and the Arts
Department of Local Government, Sport and Cultural Industries
Level 2 State Library of WA
Perth Cultural Centre
25 Francis Street
PERTH WA 6000

Dear Minister

City of Melville – Management Response to significant matters raised by the Office of Auditors General (OAG) in the financial audit 30 June 2019

In accordance with Section 7.12A(4) of the Local Government Act 1995, we write to advise you the actions that have been taken in relation to the significant matters identified by the OAG in the 2018-2019 financial 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, focusing 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.

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 first quarterly reconciliation was completed 31 January 2020 for the quarter ending December 2019.



In accordance with Section 7.12A(5) of the Local Government Act 1995, the City has published a copy of this letter on the City's website.

Yours faithfully

Marten Tieleman
Chief Executive Officer