

TOWN OF VICTORIA PARK

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. New accounting standards applicable in the current financial year – AASB 1059 <i>Service Concession Arrangements</i>	✓		
2. Pay Authorisation Review		✓	
3. Payroll Reconciliation Review		✓	
4. End of Month Accounts Payable Reconciliations		✓	
5. Credit Card Reconciliations		✓	
6. Depreciation Rate Review		✓	

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 may be reported as a matter of non-compliance in the audit report 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.

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**1. New accounting standards applicable in the current financial year – AASB 1059
Service Concession Arrangements**

Finding

AASB 1059 Service Concession Arrangements: Grantors became effective for the Town from 1 July 2020.

During the interim audit, the impact of the initial and subsequent application of the new standard had not been assessed by the Town.

Rating: Significant

Implication

The Town may not be compliant with AASB 1059 which may give risk to errors in the accounting by the Town for arrangements captured by AASB 1059.

Recommendation

The Town should review and document its assessment of the impact of AASB 1059 with specific focus on any public-private partnerships (PPPs).

Management Comment

The Town's Finance Manager has now assessed the impact of the new AASB 1059 to the Town of Victoria Park. The Town is now utilising the decision tree below to help navigate AASB 1059.

TOWN OF VICTORIA PARK

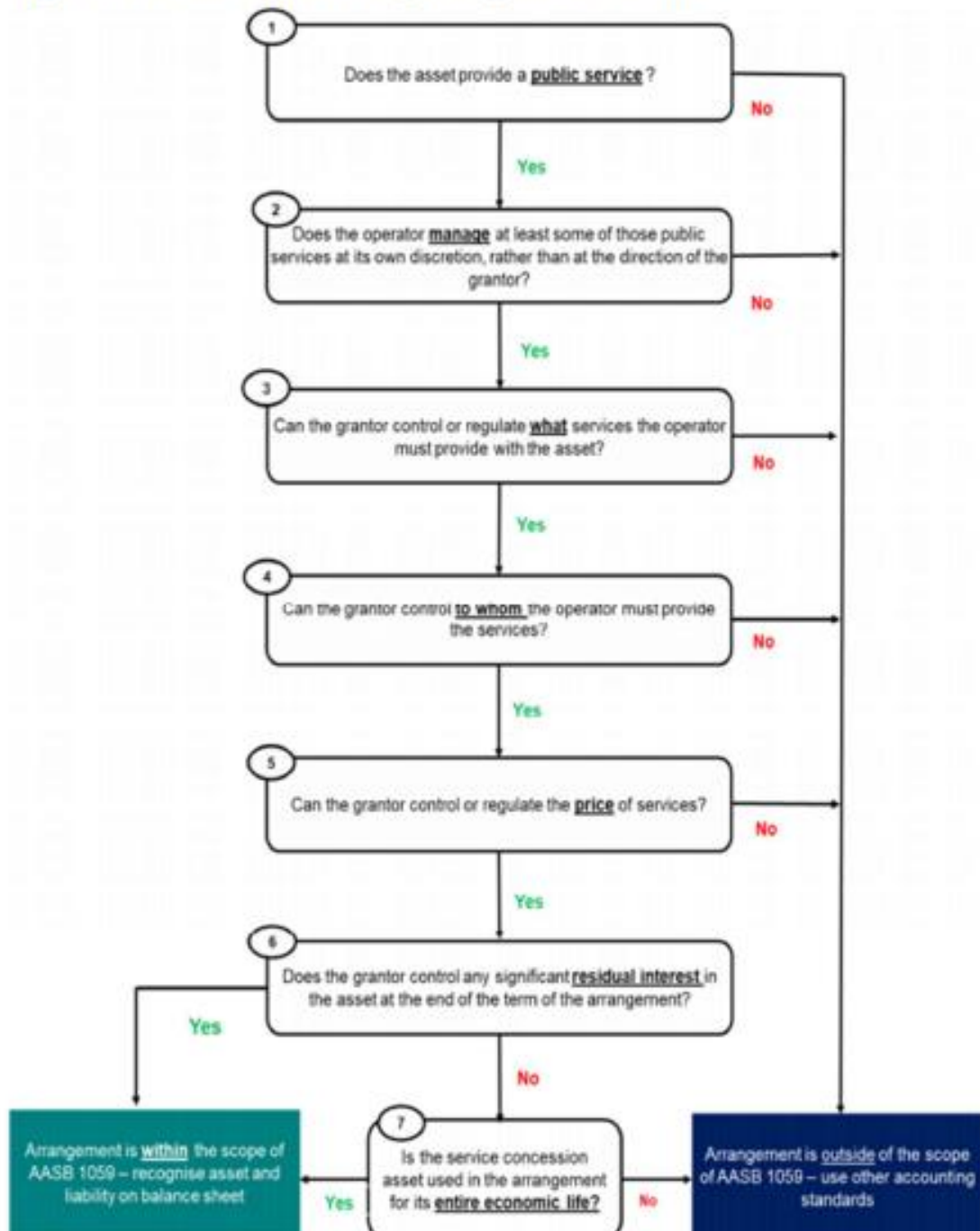
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AASB 1059 SERVICE CONCESSION ARRANGEMENTS: GRANTORS

NSW Treasury TPP 19-06 AASB 1059 Service Concession Arrangements: Grantors - Scoping

Figure 1 Decision tree to help navigate AASB 1059



Responsible Person: Finance Manager
 Completion Date: Completed June 2021

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2. Pay Authorisation Review

Finding

We noted that not all managers are confirming that they have reviewed the Pay Authorisation List report. We reviewed 1 pay run and found that 14 of the 15 service managers returned an approved authorisation list. The Town has staff across many locations.

Rating: Moderate

Implication

Incomplete confirmation from all managers on the review of pay increases the risk of incorrect or fraudulent payroll payments being made undetected.

Recommendation

Management of each service department should review and approve the Pay Authorisation List report at each pay. All unreviewed Pay Authorisation List report to date should be reviewed as soon as possible.

Management Comment

It is noted this matter was raised in the 2020 Interim Audit report-the following management response was noted – “Management notes the observations and will ensure measures are put in place to obtain pay authorisation list.”- only 6 of 15 – 40% of managers were signing in 2020 which has now improved to 14 of 15 or 94% in 2021.

People & Culture staff will strive to ensure all managers sign and return the Pay Authorisation list report each fortnight. All previous unsigned Pay Authorisation reports to be reviewed and signed off by the relevant manager as soon as possible.

Responsible Person: Manager People and Culture/Payroll Officer

Completion Date: Ongoing August 2021

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3. Payroll Reconciliation Review

Finding

We noted that fortnightly reconciliations between the payroll system and the general ledger were not independently reviewed.

Rating: Moderate

Implication

Without independent review of the reconciliation there is an increased risk of error and differences between payroll system and the general ledger not addressed appropriately.

Recommendation

The reconciliation should be reviewed and signed by a person independent to the Payroll Officer.

Management Comment

The Town's Finance Manager now independently reviews and signs the fortnightly payroll system report back to general ledger reconciliations since 1 July 2021.

Responsible Person: Payroll Officer/Finance Manager

Completion Date: July 2021

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4. End of Month Accounts Payable Reconciliations

Finding

We noted that end of month reconciliation of Aged Payables (Trial Balance by Category) to Accounts Payable control account (Module Balance Report) were not independently reviewed.

Rating: Moderate

Implication

Without independent review of the reconciliation there is an increased risk of error and differences between accounts payables and the general ledger not addressed appropriately.

Recommendation

The end of month Accounts Payable reconciliation should be reviewed and signed by a person independent to the Accounts Payable Officer. Any differences should be investigated and resolved in a timely manner.

Management Comment

The Towns Senior Accounting Officer now reviews and signs the End of Month Accounts Payable reconciliation independently of the preparer (i.e. the Accounts Payable Officer) since May 2021

Responsible Person: Financial Services Controller/Finance Manager

Completion Date: May 2021

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5. Credit Cards Reconciliations

Finding

We noted that monthly credit card reconciliations have not been verified and reviewed by a Senior Finance Officer.

Rating: Moderate

Implication

Without a verification and review process on the monthly credit card reconciliations there is an increased risk of unauthorised transactions being recorded and not resolved in a timely manner.

Recommendation

The monthly credit card reconciliations should be verified and reviewed by a Senior Finance Officer as per the Town's Card Management Practice.

Management Comments

The Towns Senior Accounting Officer now reviews and signs the credit card monthly reconciliations, which is also reviewed and co-signed by the Financial Services Controller since May 2021.

Responsible Person: /Financial Services Controller/Finance Manager

Completion Date: May 2021

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6. Depreciation Rate Review**Finding**

We noted that for addition of new fixed assets into the fixed assets register, the Asset Officer will input the rate for depreciation based on the rates given in the capitalisation policy. However, the rate included by the Asset Officer does not get reviewed by another person.

Rating: Moderate**Implication**

Lack of independent review of depreciation rate at data entry stage increases the risk of undetected errors and misstatements in the financial statements.

Recommendation

Review the policies and processes to ensure independent review of depreciation rates and useful lives are undertaken for new fixed assets.

Management Comment

The Town is currently developing procedures for new assets when being added to Assetic (All Infrastructure Asset classes), Authority (all other Assets classes (e.g. Plant & Equipment, Furniture & Equipment Information Technology etc) that the depreciation rate to be entered is reviewed by an appropriately qualified person, with consideration being given to the town Capitalisation Policy and the assets estimated useful life.

Responsible Person: Finance Manager (Authority)/Coordinator Strategic Assets (Assetic)

Completion Date: December 2021