

**Submission  
No 10**

**EXAMINATION OF THE AUDITOR GENERAL'S PERFORMANCE AUDIT  
REPORTS JUNE - DECEMBER 2020**

**Organisation:** Nambucca Valley Council

**Date Received:** 7 September 2021

Ref: SF2344  
Yr Ref:  
Contact: Matthew Sykes  
Phone: 02 6568 2555  
Email: [council@nambucca.nsw.gov.au](mailto:council@nambucca.nsw.gov.au)



Mr G Piper MP  
Chair  
Legislative Assembly Public Accounts Committee

[PublicAccountsCommittee.PAC@parliament.nsw.gov.au](mailto:PublicAccountsCommittee.PAC@parliament.nsw.gov.au)

Dear Mr Piper,

Thank you for your letter of 11 August 2021 to the General Manager of Nambucca Valley Council, requesting a submission outlining the Council's response to the Auditor-General's report *Credit card management in Local Government* tabled on 3 September 2020.

The General Manager has asked me to respond on his behalf, as they fall within my responsibilities regarding Nambucca Valley Council (NVC).

The Credit Card report is were welcomed by NVC and provides valuable guidance about how to strengthen NVC's controls over credit card use and management.

In relation to the recommendations for NVC from the Auditor-General's Performance Audit Report - Credit Card Management in Local Government, please find attached our update on action taken in relation to the recommendations most of which was also provided to the NVC's Audit Risk & Improvement Committee on 10 March 2021 (Item 4.3 Progress Update on Performance Audit on Credit Card Management).


As noted in the attachment progress in implementing the report's recommendations are as follows:

- Recommendation 1 - Ensure cardholders stop sharing their credit card with other staff.
- Recommendation 2 - Clarify in the credit card policy and procedures:
  - reconciliation arrangements for the general manager's credit card (should the policy continue to allow the general manager to have one)
  - fuel card management policy and procedures
- Recommendation 3 - Ensure that credit card management practices include:
  - monitoring credit card limits in line with financial delegations
  - keeping the credit card register up-to-date, accurate and complete

- Recommendation 4 – Ensure reconciliation involves:
  - scrutinising business related purposes and incident details of transactions
  - checking travel pre-approval forms (where applicable)
  - recording vehicle details and mileage when credit cards are used in place of fuel cards
  - checking that there are no split transactions
- Recommendation 5 Develop a plan for periodic reviews (e.g. internal audit) of credit card use and management. Implementation is partially complete with items outstanding being an Internal Audit of Credit Card Use and Management (planned for July 2022) and quarterly reviews of expenditure to be undertaken by the Assistant General Manager Corporate Services, Accountant and CFO on a rotational basis to ensure the integrity of the purchases. Quarterly reviews of expenditure will commence in October 2021 (reviewing the quarter ended 30.9.21) for the Assistant General Manager Corporate Services and then in January 2022 (reviewing the quarter ended 31.12.21) for the Financial Accountant and reviews will rotate between those 2 positions each quarter thereafter. There is no need for the CFO to be on the quarterly review rotation as the CFO reviews purchase card expenditure reports monthly.

I note that in your correspondence you requested feedback on the audit process and suggestions for any improvement. It is NVC's view that the performance report was useful for NVC and the local government sector, and undertaken in a professional manner.

Thank you for the opportunity to report to the Committee on our implementation of the recommendations in the Auditor-General's performance report.



Matthew Sykes  
Chief Financial Officer

## IMPLEMENTATION OF RECOMMENDATIONS

### Nambucca Valley Council Credit card management in Local Government

| RECOMMENDATION |  | ACCEPTED OR REJECTED | ACTIONS TO BE TAKEN   | DUE DATE         | STATUS (completed, on track, delayed) and COMMENT  | RESPONSIBILITY (Section of agency responsible for implementation) |
|----------------|--|----------------------|---|------------------|--|---|
| 1              | Ensure cardholders stop sharing their credit card with other staff.  | Accepted             | Section 5.3 of the procedures existing at the time of the audit stated 'A cardholder must not allow another employee or person to use their card and hence PIN numbers must not be given to any other employee or person.' Training to reinforce this requirement will be implemented. Monitoring and disciplinary action will be undertaken if detected. | Immediately      | <b>Completed</b> - As new cards are issued cardholders are given training on their use, part of which is a reminder that cards are not to be shared (Finance Officer)<br><br>Managers have been advised of this requirement at a Managers' meeting (CFO)<br><br>Where staff have been detected sharing their cards they have been provided with warnings that if it happens again the cards will be cancelled. (Finance Officer) | Finance Officer/CFO   |
| 2              | Clarify in the credit card policy and procedures:<br>•reconciliation arrangements for the general manager's credit card (should the policy continue to allow the general manager to have one)<br>•fuel card management policy and procedures | Accepted             | a) Remove GM & Mayor's ability to have Council Credit Card and update purchase card procedure to reflect this.  | By December 2020 | <b>Completed</b> - Revised Purchase Card Procedures adopted in July 2020 stated that Councillors and the General Manager are not eligible for a purchase card under the current policy. If this changes in the future then procedures will need to be in place to reconcile their purchase cards.  | CFO   |
|                |  |                      | b) Remove GM & Mayor's ability to have Council Credit Card and update purchase card procedure to reflect this.  | By December 2020 | <b>Completed</b> - Introduced a Fuel Card Policy (ES 27) adopted by Council on 16.7.20 and Fuel Card Procedure adopted by Manex A (Managers Forum) on 29 July 2020   | Manager Assets  |

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| 3 | Ensure that credit card management practices include: <ul style="list-style-type: none"> <li>• monitoring credit card limits in line with financial delegations</li> <li>• keeping the credit card register up-to-date, accurate and complete</li> </ul>  | Accepted | a) Update the General Managers Delegations to incorporate a section under financial delegations specifically for credit card limits attached to card holders.  | By December 2020 | <b>Completed</b> - General Managers Delegations of Authority updated July 2020 (GM)  | Finance Officer/GM   |
|   |   |          | b) Credit Card Register to be reviewed by Financial Accountant on a quarterly basis commencing December 2020 for the month ended 30 November 2020.   | By December 2020 | <b>Completed</b> – Financial Accountant reviewed the purchase card register on 3 December 2020, and has continued reviews thereafter on a quarterly basis.   | Financial Accountant |
| 4 | Ensure reconciliation involves: <ul style="list-style-type: none"> <li>• scrutinising business-related purposes and incident details of transactions</li> <li>• checking travel pre-approval forms (where applicable)</li> <li>• recording vehicle details and mileage when credit cards are used in place of fuel cards</li> <li>• checking that there are no</li> </ul> | Accepted | a) Revise Purchase Card procedures to require that when managers/supervisors are approving the purchase they must confirm that they have verified the purchase is for business use, that purchase splitting has not occurred, if purchases are made out of business hours that valid explanations are provided, and ensure for purchases that are related to travelling/training that an authorised training application form (copy as the original should be sent to Human Resources) is attached to the reconciliation and the | By December 2020 | <p><b>Completed</b> – Revised Purchase Card Procedures including recommended changes adopted in July 2020.</p> <p>Monthly purchase card reports are being provided by the Finance Officer to CFO. These reports do not provide evidence of out of hours purchases – instead CFO follows up with Finance Officer to confirm via bank report that there were none.</p> | CFO/Finance Officer  |

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|  | split transactions |  | details on the form match the transactions on the purchase card, before approving.   |                  |   |  |
|  |                    |  | <p>b) Section 2.7 of the 'Cardholder Approval and Acknowledgement' form attached to the Purchase Card procedures states 'I will not split transactions on the Purchasing Card to avoid exceeding transaction limits'. Additionally the procedure also states 'Purchase splitting is prohibited. 'Purchase splitting' occurs where Cardholders split one transaction into several in order to avoid exceeding credit limits. This is also known as 'order-splitting' or 'stringing' arrangements and is a breach of the terms of the Purchase Card agreement. Cardholders caught doing this will have their purchasing cards cancelled and may face disciplinary action.' and 'Purchase Cards should only</p> | By December 2020 | <p><b>Completed</b> – If purchases are approved by authorising officer then they are automatically designated as business use. The procedure in Section 5.3 requires that if the Purchase Card is used in error for a personal expense the employee must notify the Finance Section immediately and reimburse Council as soon as possible.</p> <p>Review of expenditure monthly for split purchases, and fuel purchases undertaken by CFO</p> | CFO/Finance Officer/Card Approval Officers |

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|   |   |   | be used for purchases of fuel for Council Vehicles in an emergency i.e. where a Caltex Service Station is not available or the fuel card is not working or has been lost - if this occurs cardholders are to provide vehicle details such as registration number and odometer reading when completing their card reconciliations. Staff should use their vehicle's fuel card for normal fuel purchases.' |   |   |  |
| 5 | Develop a plan for periodic reviews (e.g. internal audit) of credit card use and management | Partially Accepted - Procedure already stated that CFO will review annually the expenditure patterns of each cardholder and the need for a cardholder to retain a purchasing card. CFO has reviewed the FYTD expenditure patterns as at March 2021 and made | <p>a) A monthly report is compiled and sent for review to the CFO on specific purchases of attractive items, travel, meals, event attendances, motels and alcohol.</p> <p>b) In accordance with the Purchase Card Policy the Financial Accountant is required to prepare a written report on an annual basis at 30 June to the General Manager that includes details of:</p>                             | <p>By December 2020</p> <p>By December 2020</p> | <p><b>Completed</b> – Monthly purchase card reports are being provided by the Finance Officer to CFO for review with the CFO following up purchases considered unusual i.e. cost accounts not aligning with description of purchase, fuel purchases, conferences/training to see if approved training application form supplied, whether items should have been supplied through council stores etc.</p> <p><b>Completed</b> - Accountant has notified the GM purchase cards expenditure for 2019/20.</p> | <p>Finance Officer/CFO</p> <p>Financial Accountant</p> |

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|  |  | recommendations on removal or reduction of limits on cards. | <ul style="list-style-type: none"> <li>• Expenditure for the year to date in summary form;</li> <li>• Any matters indicating the efficiency or effectiveness of the corporate purchase card e.g. card not used;</li> <li>• Action taken in response to issues raised in the report; and</li> <li>• The results of action taken in response to issues raised in previous reports.</li> </ul> |                  |   |   |
|  |  |   | c) Internal Audit of Credit Card Use and Management   | By June 2022     | <b>On Track</b> - Internal audit of credit card management has been included in the revised Strategic Internal Audit Plan (1 July 2019 to 30 June 2022) for July 2022   | Assistant General Manager Corporate Services                      |
|  |  |   | d) Quarterly reviews of expenditure are to be undertaken by the Assistant General Manager Corporate Services, Accountant and CFO on a rotational basis to ensure the integrity of the purchases.  | By December 2020 | <b>Delayed</b> - no need for CFO to be on the quarterly review rotation as the CFO is reviewing purchase card expenditure reports monthly. Quarterly reviews of expenditure will commence in October 2021 (reviewing the quarter ended 30.9.21) for the Assistant General Manager Corporate Services and then in January 2022 (reviewing the quarter ended 31.12.21) for the Financial Accountant and rotate between those 2 positions each quarter thereafter. | Assistant General Manager Corporate Services/Financial Accountant |