

**Supplementary
Submission
No 5a**

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

Organisation: City of Sydney

Date Received: 3 June 2022

03 June 2022

Our Ref: 2022/296445-02

Mr Greg Piper
Chair, Public Accounts Committee
Legislative Assembly
Parliament House
Macquarie Street
Sydney NSW 2000

Email: pac@parliament.nsw.gov.au

Dear Mr Piper,

**Auditor General's performance audit report –
Governance and internal controls over local infrastructure contributions**

The City of Sydney records all new development applications in its Pathway property system, incorporating all relevant data, including the residential and employment growth expected to arise from the new development.

The relevant infrastructure contributions are then determined in accordance with its publicly endorsed development contributions plans, to reflect the additional resident, worker or visitor populations that the new development is expected to generate. If the new development replaces existing residential and/or employment stock, then the contributions are adjusted appropriately to reflect only the incremental growth.

Contribution amounts payable are calculated by the City's planners with the assistance of a web-based calculator tool. The calculated contribution is input into the contributions condition within a development application (DA) consent. The calculator result is also saved on file in the City's record management system (TRIM). An equivalent calculator is also retained in Microsoft Excel format, for more ad-hoc queries, however it should be noted that this spreadsheet is password protected.

The applicant is notified of the contributions due at the time of determination of their development application, including whether the contributions are payable at construction or occupation certificate stage. When the payment is received by Council, it is recorded through the Pathway receipting system and accordingly recognised in the City's general ledger within the Technology One financial system.

The City develops and implements its infrastructure works to support new development, through its capital works program, with reference to the works detailed within its development contributions plans. Where the actual value of these works exceeds the value of the works as set out within the plans, the City only recovers the cost included within the plans, with the remainder funded from the Council's general fund.

The spreadsheet/s referred to in the performance audit utilise source data from these corporate systems, comprising the development application (and receipting) data contained within the Pathway system, the rates quoted in the development contributions plan and stored within the Pathway system, the income subsequently recognised in the

Technology One financial system, and the cost of infrastructure works delivered (and budgeted) recognised in the financial system.

The spreadsheets are used to compile and summarise this data from the various sources and report back to the City's Contributions and Planning Agreements Gateway Panel, and ultimately Council each quarter, to monitor the value of contributions, received, and utilised against the City's adopted development contributions plan. It also provides an ongoing balance of contributions held, but not used (i.e. restricted assets), and/or an underlying plan position where the City has forward funded works ahead of contributions still to be received.

The spreadsheets do not generate (or hold) new data, or calculate contributions payable by developers, and as such are not the primary source of data for decision makers within or external to Council. Should circumstances require, they could be reconstructed from the primary sources of data, being the Contributions Plans, Pathways property and Technology One financial systems.

However, as a source of reported information within the Council, a snapshot of the spreadsheets is taken each quarter, and placed on file in the City's TRIM record keeping system should it ever prove necessary to examine the basis for the balances reported to Council and its community at any particular quarter.

The City protects the spreadsheets from unwanted external access through the application of its user security protocols, firewalls and other cybersecurity measures. The City invests heavily to protect its information security, and while it is a constant challenge, our monitoring and surveillance are designed to advise of any breaches. As noted, the spreadsheets are dynamic workpapers used to monitor and report contributions balances, not repositories of critical or sensitive source data. The City maintains that archiving quarterly versions of the spreadsheets provides adequate backup of formulas and formatting used in compiling reports.

With respect to internal access controls, the City's network drives are segmented to limit access within the Council's organisation. The spreadsheets in question are held within a directory that is allocated to staff within the Chief Financial Office division, and it is the City's Chief Financial Officer and Financial Planning & Reporting team who are responsible for maintenance and control of these spreadsheets.

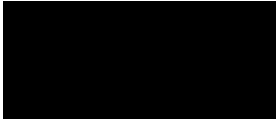
While the Senior Accountant - Financial Analysis and Statutory Reporting initially developed the spreadsheets in question, they need to be accessible by the entire team as we strive to eliminate single person dependencies within our operations, and to retain the dynamic capability of the Microsoft Excel tool. Password control practices for Excel require that one person set and remember the password, as there is no password reset function available if the password is lost. To incorporate spreadsheets with password protection, or protection within specific cells, would inhibit our team based work environment, and potentially lead to a breakdown of internal controls if the passwords were to be shared widely or recorded externally.

The team had previously explained to the Performance Audit team that this spreadsheet is not the primary source of the data, that it is merely a means to gather, monitor and report the data to relevant parties, and that it can be reconstructed from the primary sources if required.

It was my understanding at the conclusion of the performance audit, that given the background and low level of risk and/or impact to the integrity of the City's financial management processes, that this draft recommendation was to be removed from the Performance Audit team's final report.

If any further information is required in relation to this matter, please do not hesitate to contact me directly on [REDACTED], or at [REDACTED]

Yours sincerely

A large black rectangular redaction box covering the signature area.

Bill Carter
Chief Financial Officer