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APY Land Rights Administration Grant Review Status Report

The Department of State Development,
Aboriginal Affairs and Reconciliation

18 June 2015



Government of South Australia
Department of State Development

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KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

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The findings in this report have been formed on the above basis.

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Contents

| | |
|---|----------|
| 1.0 Executive summary | 4 |
| 2.0 Progress against findings of the Prior Report | 5 |
| Appendix 1 – APY Interim General Manager’s letter of response to this report | 7 |

For action

| Name | Title |
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| Nerida Saunders | Executive Director, DSD |
| Fiona Ward | Director, DSD |
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For information

| Name | Title |
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| Richard King | Interim General Manager, APY |

1.0 Executive summary

This report provides the Department of State Development ('DSD') and Anangu Pitjantjatjara Yankunytjatjara ('APY') with an update of corrective action undertaken by APY in the period to 22 May 2015 to address key deficiencies identified in our previous report, a draft of which was issued to DSD on 22 April 2015. This draft informed KPMG's subsequent work with APY in mid-May 2015 which is the subject of this report. The final report titled "*APY Land Rights Administration Grant Review*" ('the Prior Report') is dated 1 May 2015 and was released by the DSD on 5 June 2015.

1.1 Objective

KPMG performed agreed upon procedures with the objective of communicating APY's position on addressing the key deficiencies identified for expenditure and reporting. KPMG performed the following procedures:

1.1.1 Reviewed the current status of controls (including payroll) implemented by the Interim General Manager;

1.1.2 Examined the status of bank reconciliations;

1.1.3 Examined the control framework for ledger account reviews;

1.1.4 Reviewed the current methodology and status of account and job code allocations against our Prior Report;

Prepared a status report based on procedures undertaken.

A draft of this report dated 15 June 2015 was provided to the APY for comment. Attached Appendix 1 is the APY Interim General Manager's letter of response to the draft report.

Please note that this report does not address, and is not intended to address, APY's corrective action on all of the issues and deficiencies identified in our Prior Report dated 1 May 2015.

Please also note that "Read-Only" access was granted to MYOB with all proposed changes to be approved by the Interim General Manager and implemented by Araluen Taxation Services ('ATS').

2.0 Progress against the findings in the Prior Report

During mid-May 2015, KPMG was engaged by the DSD to assist APY in addressing the findings from our Prior Report (dated 1 May 2015). The four key findings from that report are listed below, along with relevant observations regarding APY's progress in dealing with these shortcomings. It is evident that there has been work undertaken to address these findings, however more work is needed to comprehensively address all the findings in the Prior Report.

| Finding per Prior Report | Key observation(s) as at 22 May 2015 | Ref |
|---|--|-------|
| Significant financial discrepancies and internal control weaknesses that prevent adequate tracking of incurred expenditure against Administration Funding Agreement | <ul style="list-style-type: none"> Key control functions (entering invoices, bank reconciliations and private expenditure requests) are in the process of being outsourced to ATS by the end of May 2015. | 1.1.3 |
| | <ul style="list-style-type: none"> All expenditure is approved solely by the Interim General Manager whilst job code allocations are reviewed by Line/Program Managers and are processed by ATS. | 1.1.1 |
| | <ul style="list-style-type: none"> Timesheets for payroll are reviewed by Line/Program Managers and approved solely by the Interim General Manager. | 1.1.1 |
| | <ul style="list-style-type: none"> Job code (budget) allocations for outstanding FY15 acquittals are currently being performed and are due for completion by early June 2015. | 1.1.4 |
| Disbursements under the Administration Funding Agreement are made without approval | <ul style="list-style-type: none"> All advances to Executive Board members are approved solely by the Interim General Manager. | 1.1.1 |
| | <ul style="list-style-type: none"> All expenditure is approved by the Interim General Manager using physical purchase order books. Delegations of Authority have been developed and will be completed by the end of June 2015 for the next budget process. | 1.1.1 |

| Finding per Prior Report | Key observation(s) as at 22 May 2015 | Ref |
|--|--|-------|
| Key reconciliations and reporting and monitoring controls are not performed | <ul style="list-style-type: none"> There is clear evidence that bank reconciliations were completed, except for the credit card (due for completion by end of May 2015). | 1.1.2 |
| | <ul style="list-style-type: none"> A conceptual framework for job coding and review has been created but is yet to be formalised and implemented. | 1.1.3 |
| | <ul style="list-style-type: none"> Work has commenced on reconciling the two MYOB files and is due for completion by the end of May 2015. | 1.1.3 |
| | <ul style="list-style-type: none"> A reconciliation of accounts payable, accounts receivable and payroll employee entitlements is planned for completion by the end of July 2015 but has not yet commenced. | 1.1.3 |
| Indications of the use of grant funds under the Law and Culture Funding Agreement for sitting fees | <ul style="list-style-type: none"> Journal entries have been made to correct a mistake in the allocation of Sitting Fees for the Law and Culture Committee. | 1.1.4 |

Appendix 1 – APY Interim General Manager’s letter of response to this report

A draft of this report dated 15 June 2015 was provided to the APY for comment. Below is the APY Interim General Manager’s letter of response to that report.



Anangu Pitjantjatjara Yankunytjatjara

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Minister Maher,

I submit the following response to the June 2015, Grant Review Status Report conducted by KPMG in mid May 2015. I acknowledge the contents of this report and thank KPMG for their involvement and Jake Kantilaftas for his thoroughness in compiling this report. The remedial action outlined below was achieved with the full support of the Director of Administration Mr Rex Tjami, Umuwa office staff and Araluen Taxation Services (ATS).

In this submission I will respond to the reports four observations:

2.1 Significant financial discrepancies and internal weaknesses:

- 2.1.1 The Interim General Manager has worked closely with ATS to build a robust financial accounting system that is transparent with appropriate checks and balances that support the APY business and enables sustainable development into the future. The system outsourced
- 2.1.2 All approvals are currently being signed off by the Interim General Manager including the checking of cost coding and approvals of payroll and time sheets. This will be delineated to managers and coordinators when the new financial year commences. There is a delegation schedule that has been developed to guide this process.
- 2.1.3 All job codes for reconciliations and have been checked and wrong coding corrected. Bank reconciliations are being carried out on a weekly basis.
- 2.1.4 All advances are checked and approval to deduct forms are filled out and approved by the Interim General Manager after discussion with the requesting Executive member. The approval is assessed individually with no advances exceeding the amount of the next scheduled meeting payment.

2.2 Disbursement under the Administration funding:

- 2.2.1 The Interim General Manager has worked hard to ensure the purchase order system is regulated. All purchase order books are collected and collated every Monday morning. They are coded and sent to ATS on Thursday for entering and reconciliation. This system will keep APY’S cash position a week behind purchases.

A future system will involve a cloud based solution to instantly track and monitor this process, so that approval, entry, reconciliation and payment are done electronically and cash positions will be known instantly.

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2.2.1 The Interim General Manager will bring the delegation of authority on line in the new financial year after training all managers and coordinators on budget management. New budgets have been developed and will be further refined on Thursday the 18th June in preparation for the new financial year.

2.3 Key reconciliation and reporting and monitoring controls not performed:

2.3.1 The Bank reconciliations have been brought up to date and are complete and will be reconciled on a weekly basis. The credit card is in the process of being reconciled with the credit card statements. However, the receipts for the first half of the 2014 are being held by ICAC following their seizure in December.

2.3.2 The job coding is formalised. All coding is entered by staff and checked by the bookkeeper when reconciling the purchase orders with the invoices. These two documents are checked by the Interim General Manager before sign off. They are sent for entering on Thursday every week.

2.3.3 MYOB files are now reconciled and there is one live MYOB data file that can be seen by both ATS and APY from their offices.

2.3.4 Reconciliations of Accounts payable accounts /receivable/employee entitlements are currently in progress and due for completion the end of July.

2.4 Law and Culture and sitting fee

2.4.1 The \$1600 of sitting fees had been corrected. In reality only \$500 of sitting fees was wrongly disbursed and needed to be journal back to the funding source, as \$1100 had been wrongly coded and was simple to rectify by entering the correct code.

It should be noted that the Interim General Manager (Richard King) and the Manager Anangu Engagement (Tania King) had only three weeks on the ground in Pitjantjatjara Yankunytjatjara Lands Umuwa Office to implement the remedial actions outlined in the Prior KPMG Report.

The Interim General Managers tenders this response to the June 2015, Grant Review Status Report conducted by KPMG in mid May 2015 for your consideration.

Sincerely

Richard King
Interim General Manager APY

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