

MEETING NOTICE

A meeting of the
Risk & Audit Committee
will be held in the Pindari Room, Rockdale Town Hall
Level 1, 448 Princes Highway, Rockdale
on **Thursday 27 September 2018 at 6.30 pm.**

AGENDA

1 ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

Bayside Council respects the traditional custodians of the land, and elders past and present, on which this meeting takes place, and acknowledges the Gadigal and Bidjigal Clans of the Eora Nation.

2 APOLOGIES

3 DISCLOSURES OF INTEREST

4 MINUTES OF PREVIOUS MEETINGS

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6 GENERAL BUSINESS

7 NEXT MEETING

Meredith Wallace
General Manager

Risk & Audit Committee

27/09/2018

Item No	4.1
Subject	Minutes of the Risk & Audit Committee Meeting - 23 August 2018
Report by	Bruce Cooke, Acting Manager Governance & Risk
File	SF18/8

Officer Recommendation

That the Minutes of the Risk & Audit Committee meeting held on 23 August 2018 be confirmed as a true record of proceedings.

Summary

The minutes include the following substantial recommendations:

5.1 Operation Ricco - The ICAC Perspective

Committee Recommendation

- 1 That the presentation on Operation Ricco be received and noted.
- 2 That the General Manager reviews the Internal Audit Committee to determine if it fulfils its obligations.

5.5 Business Continuity Management Policy

Committee Recommendation

- 1 That the report be received and noted.
- 2 That the Business Continuity Management Policy be endorsed subject to its amendment by including a diagram indicating the relationship of all associated documents.
- 3 That a one page 'user friendly' document for use by staff be developed.

6.2 Internal Auditor

Committee Recommendation

That it be noted Steve Kent of BDO has been appointed Acting Internal Auditor during while the substantive Internal Auditor is on leave.

Present

Jennifer Whitten, Independent External Member (Chair)
Lewis Cook, Independent External Member
Barry Munns, Independent External Member
Councillor Scott Morrissey, Member

Also Present

Meredith Wallace, General Manager
Michael Mamo, Director City Performance
David Nolan, Director Financial Audit Services, Audit Office of NSW
Steve Kent, Acting Internal Auditor
Dr Andrew Howe, Senior Corruption Prevention Officer, ICAC
John Hughes, Coordinator Risk & Audit
Stephen Walker, Performance Analyst, Office of Local Government
Bruce Cooke, Acting Manager Governance & Risk
Matthew Walker, Manager Finance
Gina Nobrega, Governance Officer

The Chairperson opened the meeting in the Pindari Room, Rockdale Town Hall at 6:45 pm.

1 Acknowledgement of Traditional Owners

The Chairperson affirmed that Bayside Council respects the traditional custodians of the land, elders past and present and future leaders, on which this meeting takes place, and acknowledges the Gadigal and Bidjigal Clans of the Eora Nation.

2 Apologies

The following apologies were received:

Catriona Barry, Independent External Member
Councillor Liz Barlow

3 Disclosures of Interest

There were no disclosures of interest.

4 Minutes of Previous Meetings

4.1 Minutes of the Risk & Audit Committee Meeting - 24 May 2018

Committee Recommendation

- 1 That the Minutes of the Risk & Audit Committee meeting held on 24 May 2018 be confirmed as a true record of proceedings.
- 2 That outstanding Actions from previous meetings be updated.

Item	Action	Responsible Officer
22/02/18 5.3	A summary email to Committee members regarding insurance risk from bike-share incidents.	Manager Governance & Risk
22/02/18 5.7	Future reports on the progress of Project Ricochet include an updated list of priorities, findings, actions and risks. To be considered at the September meeting.	Manager Governance & Risk
22/02/18 6.4	Committee members be invited to the Council meeting of which the Draft 2016/17 Financial Statements are presented.	Manager Governance & Risk
24/05/18 5.6	The Manager Procurement provides a copy of the Procurement Guide to all Committee members.	Manager Procurement
24/05/18 6.1	An extra-ordinary meeting of the Committee be held, if necessary, to consider the draft Financial Statements for 2016/17.	Manager Finance
24/05/18 6.1	The Committee be provided with a copy of the key assumptions underlying the Financial Statements audit.	Manager Finance
23/08/18 5.4	Report on Project Ricochet to be brought to next meeting.	Cate Trivers
23/08/18 5.4	Hard copies of both the Strategic and Operational Risk Registers be provided to Committee members for future meetings.	Coordinator Risk
23/08/18 5.4	Provide a summary report of the Operational Risk Register for the November meeting.	Coordinator Risk
23/08/18 5.7	Consider simplifying the Liability Claims Performance Report and/or masking it 'confidential'.	Coordinator Risk
23/08/18 6.0	An annual report of the Risk & Audit Committee to be considered at the November meeting.	Committee Chair

5 Reports

5.1 Operation Ricco - The ICAC Perspective

Committee Recommendation

- 1 That the presentation on Operation Ricco be received and noted.

At this stage Dr Andrew Howe left the meeting at 7.23pm.

5.2 Update on 2016-17 Financial Reports

Committee Recommendation

- 1 That the verbal update on the progress of the draft 2016-17 Financial Reports be received and noted.
- 2 That the Committee be provided with draft 2016/17 Financial Statements well in advance of the next extraordinary Risk & Audit meeting of 27 September 2018.

5.3 Strategic Risk Register Review

Committee Recommendation

That the report be received and noted.

5.4 Operational Risk Register Review

Committee Recommendation

That the report be received and noted.

5.5 Business Continuity Management Policy

Committee Recommendation

- 1 That the report be received and noted.
- 2 That the Business Continuity Management Policy be endorsed subject to its amendment by including a diagram indicating the relationship of all associated documents.
- 3 That a one page 'user friendly' document for use by staff be developed.

5.6 Bayside Administration Precinct Business Continuity Plan

Committee Recommendation

- 1 That the report be received and noted.
- 2 That it be noted scenario testing is intended to be undertaken annually and updates of report outcomes of testing be received.

5.7 Liability Claims Performance Overview

Committee Recommendation

That the report be received and noted.

6 General Business

6.1 Project Ricochet

Committee Recommendation

That Council considers engaging an external consultant in relation to Project Ricochet.

6.2 Internal Auditor

Committee Recommendation

That it be noted Steve Kent of BDO has been appointed Acting Internal Auditor during while the substantive Internal Auditor is on leave.

6.3 Risk & Audit Committee Review

Committee Recommendation

That it be noted a review of the Risk & Audit Committee is being arranged by Council.

7 Next Meeting

The next extraordinary meeting of the Risk & Audit Committee will be held in the Pindari Room, Rockdale Town Hall at 6.30pm on Thursday, 27 September 2018.

The Chairperson closed the meeting at 9:00 pm.

Risk & Audit Committee

27/09/2018

Item No	5.1
Subject	Project Ricochet Update
Report by	Bruce Cooke, Acting Manager Governance & Risk
File	F17/634

Summary

This report, prepared by EVI Consulting, provides an update on Project Ricochet which is managing the implementation of Bayside Council's response to the ICAC report recommendations arising from the Operation Ricco Report. Coordinating the management responses to external audit management letters, maintaining a consolidated view of issues and actions being implemented. Project Ricochet is also managing the implementation of the Business Process and Controls (BP&C) which is addressing recommendation 2 of the ICAC report and substantially addresses the issues being raised by Council's auditor, the NSW Audit Office.

Officer Recommendation

- 1 That the progress on implementation of the ICAC recommendations (refer Attachment 1) be noted.
 - 2 That the Council's progress update on management's agreed actions in response to the NSW Audit Office interim management letter (17 August) recommendations (refer Attachment 2) be noted.
 - 3 That the progress on the Business Process and Controls Framework, business process and internal control mapping (refer Attachment 3) be noted.
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Background

Council has previously reported to the Risk & Audit Committee on: 17 August 2016, report 5.4 Management Response to ICAC Recommendations in Operation Ricco Report; 23 November 2017, report 5.2 Project Ricochet Update; 22 February, report 5.6 Project Ricochet Update; and 24 May 2018, report 5.4 Project Ricochet Update. This report provides a progress update on the implementation of the agreed actions and the progress on the development of the Business Process and Controls (BP&C) Framework and reviews commenced to date.

Summary ICAC Recommendations - September 2018 Update

Of the eight recommendations, Council identified 34 actions across 2016/17 and 45 actions for 2017/18.

Of the 2016/17 list, 29 actions are now completed, many of which related to the period prior to the ICAC report being issued. Five actions from 2016/17 continue to remain ongoing – they relate to:

- I. Improving the Bank Signatory arrangements for Bayside going forward (rescheduled).
- II. Improvements to the reconciliation processes (in particular assets and bank accounts), (rescheduled).
- III. Bunnings Charge Card reconciliations reviewed monthly (rescheduled).
- IV. Processes to manage the changes to system security when staff movements occur within the organisation (rescheduled).
- V. Policy harmonisation reviews continue across Bayside Council (On-track).

For these actions, interim controls are in place and reviews and improvements are ongoing:

- 1 Bank signatories are current, however the business process and controls are being updated to embed a sustainable process with proposed changes to bank signatories being implemented.
- 2 Investigations continue into options to improve Council's financial management systems including:
 - a Actions to simplify and transition Council's receipting and bank accounts into one consolidated bank account to be reconciled in TechnologyOne.
 - b A Post Implementation Review of TechnologyOne is in progress with a report expected in October 2018, which will identify opportunities to improve the system.
 - c An organisational project is being scoped to transition DA related receipting from the Authority receipting system into Council's core financial receipting systems - Pathways and TechnologyOne.
- 3 A review of the Bunnings charge card facility is being considered as the current systems are manual and result in low value transactions. Stores are reviewing business requirements. Following this review, new process are to be agreed, training updated and systems embedded.

The following table summarises the progress on the 2017/18 Actions:

Recommendation	2017/18				
	Complete	On Track	Off Track	Rescheduled	Total
1 Segregation of duties, budget control, Vendor Maintenance	6	1	0	14	21
2 Business Process and Internal Controls Reviews	2	0	0	6	8
3 Review of key operational and finance roles	3	1	0	2	6
4 General Manager performance to consider Audit Recommendations	2	0	0	2	4
5 Risk Assessment to inform Internal Audit	1	0	0	0	1

Recommendation		2017/18				
		Complete	On Track	Off Track	Rescheduled	Total
6	Independence of Internal Audit	0	0	0	0	0
7	Implementation of Audit Recommendations	2	1	0	0	3
8	Review effectiveness of Risk & Audit Committee	0	2	0	0	2
Total Number of Actions		16	5	0	24	45

Actions have been assessed as 'off-track' where the specified action is not achievable. Actions are reported as 'rescheduled' where the timeframes, scope or detail of an action is changing but the outcome will be achieved. For transparency, the reasons for the variations have been reported in the below table. Where timeframes or scope have previously been revised, the action is reported against the revised milestone.

Overall, 16 actions are reported as completed of which 6 have been reported as complete since the May 2018 update as per the following table:

Table 1: ICAC Actions – Completed since May 2018 Update

Summary Action	Detailed Action	Management Comment – September 2018
<p>Response to Recommendation 2.1</p> <p>A review of high risk areas and the focus on development of mitigating actions and operational improvements to address.</p>	<p>Risk management reported back to Executive Quarterly Risk management actions embedded into Work plans for each responsible business unit.</p>	<p>Risk management is being reported to Executive and to the Risk & Audit Committee.</p>
<p>Response to Recommendation 3.1</p> <p>Employee Performance System implemented with regularly monitoring employee performance and capability.</p>	<p>Procedure updated by 17 December</p>	<p>New Employee Performance framework adopted by Executive and implemented in 2017/18 with further roll-out and implementation across 2018/19.</p>
<p>Response to Recommendation 3.1</p> <p>Key Roles and general staff induction processes to cover Corporate Governance requirements and key accountabilities.</p>	<p>Ongoing updates based on adoption of Policies and Procedures - as outputs from the Business Process and Controls project and other BAU reviews; including policy framework.</p>	<p>Induction training implemented.</p>

Summary Action	Detailed Action	Management Comment – September 2018
<p><i>Response to Recommendation 4.1</i></p> <p>External Audit Management Letters and Management's Representation letters to be tabled with the Risk & Audit Committee at the first available meeting; and where appropriate with Management's responses.</p>	<p>Management Responses will be reported back to the Risk & Audit Committee.</p>	<p>Implemented and ongoing.</p>
<p><i>Response to Recommendation 5.1</i></p> <p>Refer implementation of Council's Risk Management Framework which has been adopted by Council and includes the preparation of a complete risk register for Bayside.</p>	<p>Risk Management Framework adopted by Council by Dec-17 Monitoring and reporting of risk updated and reported to Executive Quarterly and / or high critical risks escalated as required</p>	<p>Risk management is being reported to Executive and to the Risk & Audit Committee.</p>
<p><i>Response to Recommendation 7.1</i></p> <p>The implementation of internal audit recommendations are also reported to the Executive and peer reviewed with the General Manager in this forum.</p>	<p>Matrix of all ICAC, External and Internal Audit recommendations and agreed actions developed and implemented. Management briefed on issues and consulted on agreed actions and status reporting.</p>	<p>Matrix implemented and reporting process embedded.</p>

Overall, 23 actions have been rescheduled in this update reflecting the ongoing challenge within the Finance business unit in finalising the 2016/17 Financial Statement Audit and the 2017/18 Financial Statements, with the organisation only just beginning to return to normal operating cycles for monthly financial reporting and monitoring.

As a result, the dates for embedding the business process and controls have been rescheduled to 31 December 2018, allowing Finance to support the implementation and embedding of the financial process and controls as a priority in 2018/19 within Finance and across the organisation. Reflecting this, management are focused on demonstrating improvements in the first quarter of 2018/19.

A Post Implementation Review of TechnologyOne, Council's core financial management information system, is also in progress. Results of this review are expected in October 2018 and will make recommendations to continue to improve system set-up, integration and controls.

Refer Attachment 1 - Bayside ICAC Action Plan – 2017/18 Actions – Open Items (September 2018 Update) includes all rescheduled items.

Summary - Interim Audit Management Letter - (August 2017 - September 2018 Update)

Overall, the NSW Audit Office Interim Management letters identified 14 areas for improvement, which are summarised in the graph below.

For each issue, Management identified detailed actions that will address the audit issue and recommendations, 51 actions in total. In total, 21 actions (41%) have been completed, of which 7 actions were completed since the May 2018 update (refer Table 2).

The status of Issue 20 Stocktakes, which was previously reported as complete, has been amended to Rescheduled based on the business process and controls review and the end of 2017/18 year end processes, which have identified a number of improvements in the business process and controls to be implemented and embedded in 2018/19.

Table 2: Audit Recommendations – Management Actions – Completed since May 2018 Update

Audit Recommendation	Management Response	Management Comment – September 2018
Issue 14 - Approval of Journals		
<p>The accounting system should be modified to ensure that journal entries cannot be made without being reviewed by an independent senior officer.</p>	<p>Update TechnologyOne Access to restrict input of journals to Accountants, Coordinators, and Manager Finance.</p>	<p>TechnologyOne security implemented to automatically workflow journals from the initiator to the Co-ordinator who approves in the system and posts the journal. Unapproved journals escalate to the Manager Finance after 48 hours for approval. Journal working papers are mandatory on all journals and attached in the TechnologyOne Journal input screen. New journal types are being implemented to differentiate source systems posting transactions. Completed. Civica Authority System. Journals are processed via a template format that has identification of preparer and approver.</p>

Audit Recommendation	Management Response	Management Comment – September 2018
Evidence of this review should be captured and documented.	<ol style="list-style-type: none"> 1 Coordinator Financial Reporting create and implement Journal templates (including staff trained). 2 Review Journals and verify the signatures approving are in accordance with the agreed Delegations. 	As above. TechnologyOne System has been modified to make attachment of working papers substantiating the journal as mandatory and a workflow approval process.
The review should also ensure that there is adequate supporting documentation attached to the journal so that it is clear why the journal entry is being made.	<ol style="list-style-type: none"> 1 Coordinator Financial Reporting create and implement Journal templates (including staff trained). 2 Review Journals and verify the signatures approving are in accordance with the agreed Delegations 	As above. TechnologyOne System has been modified to make attachment of working papers substantiating the journal as mandatory and a workflow approval process.
All journal entries made during the period 9/9/16 to 30/6/17 should be reviewed and approved by a more senior officer than the poster to ensure that they are appropriate.	Coordinator Financial Accounting to conduct a review of all journal entries made during the period 9/9/16 to 30/6/17 to ensure each journal has been approved by a more senior officer than the poster to ensure that they are appropriate and agreed to past and proposed delegations.	Action is now complete for 2016/17 with the 2016/17 Financial Year End Reconciliations are now subject to audit. Full transactional data extracts have been provided to the NSW Audit Office, with a focus on identification and provision sample testing of journal entries. The NSW Audit Office has advised that the 2016/17 Audit Testing of the Revenue & Expenditure has not been able to substantiate the veracity of the journals posted. For 2017/18 additional technical resources are being engaged to assist in the required analytics. For 2018/19 controls over all journals have been implemented requiring a second reviewer.

Audit Recommendation	Management Response	Management Comment – September 2018
Issue 9 - Fixed Assets		
WIP should be capitalised as it is incurred.	Coordinator Financial Reporting - Capitalise 2016/17 WIP at year end	Complete. Ongoing issues with audit on completeness and valuation of assets as part of the 2016/17 financial year end in progress. Note, Fixed Assets Registers are being maintained outside TechnologyOne. The TechnologyOne Post Implementation will make recommendations on how to address Assets holistically.
Issue 7 - Investments		
Review investment performance.	Monthly Investment Performance monitored and reported to Director City Performance; and Monthly Council report on Investments submitted by end of month following	Completed. Monthly investment reports are being reported to Council. Some issue on the timing of the reports due to Council Meeting Cycle and also issues in consolidated calculations were experienced. Monthly Reporting and reconciliation processes in 2018/19 to be embedded.
Review and approve new investments.	Manager Finance - to review and sign off Investments Reconciliation and Investment report that investments have met and / or complied with all limits	Completed. Finance Manager is signing off on Bayside Investments and working to embed improved business processes including the maturity profiles and cash flow forecasts.

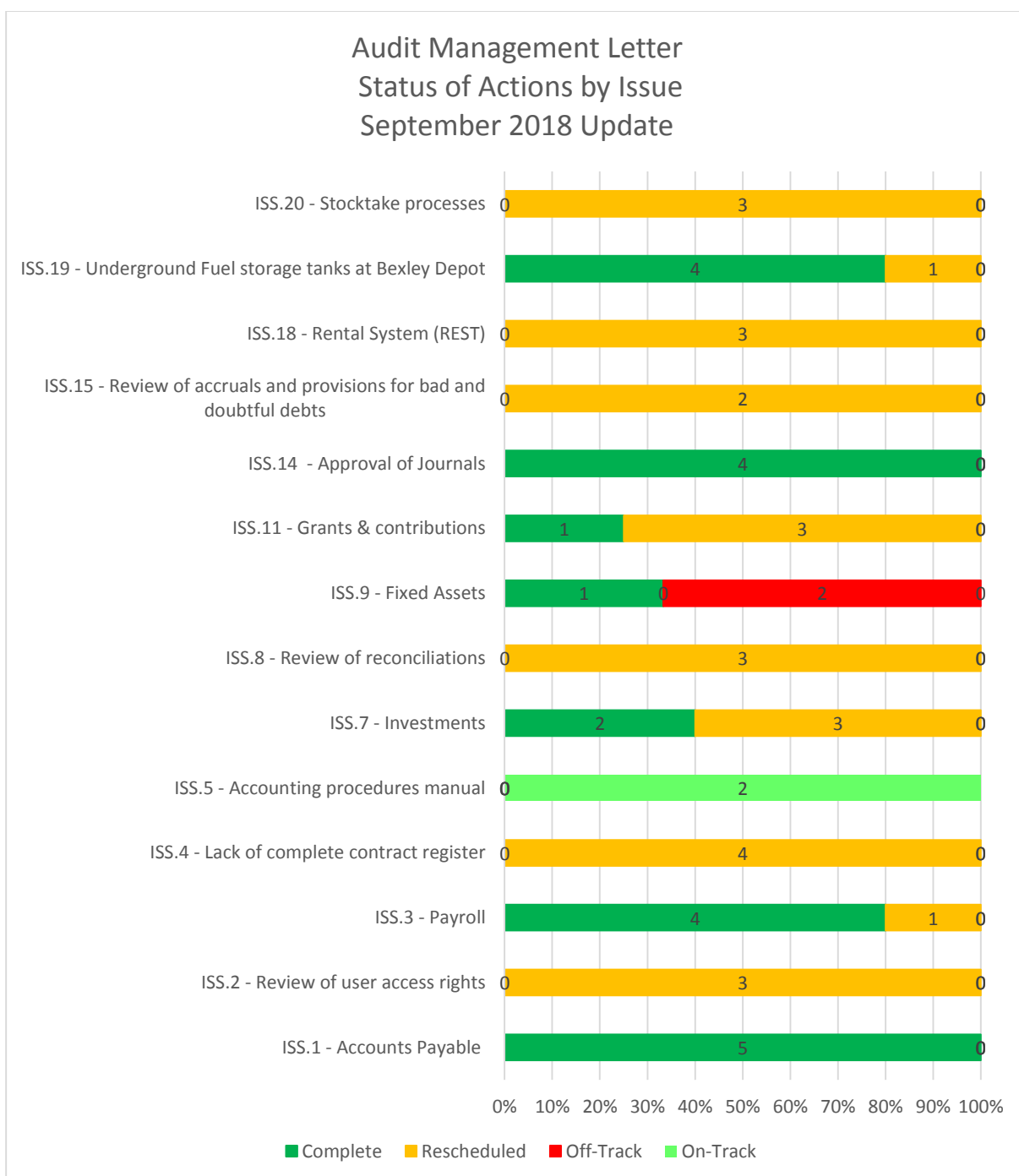
Overall, the September 2018 Status of Actions by Issue reports a number of actions as rescheduled, which are all due to revised timeframes based on management's latest dates and available resourcing. The September 2018 update reflects the ongoing challenges of finalising the 2016/17 and 2017/18 financial years and the operation of the multiple financial operating systems (Pathway, TechnologyOne and Authority). This has resulted in a change of timeframes for the embedding of the improvements and standard operating practices across Finance and the business units. The focus for the Business Process and Controls is on implementation and embedding in 2018/19 and building financial management capability across the organisation. The Post Implementation Review of TechnologyOne will consider the issues and solutions and make recommendation in October 2018.

At the time of reporting, no further audit management letters have been issued for Bayside Council since the interim August 2017 Management Letter, which is the subject of this report. The final audit opinion and management letter for Bayside Council 2016/17 remains outstanding and the interim and final audit for 2017/18 is yet to be completed. The following Graph shows the Status of Actions by Issue as:

NFR – Complete: These actions have previously been reported as complete.

- Completed: These actions were completed in the current reporting period.
- On-Track: Tracking to Time, Scope, and Quality.
- Rescheduled*: These actions have been reviewed and a revised timeframe proposed.
- Off-Track: Currently forecast not to achieve any one of Time, Scope and / or Quality but which have not been rescheduled.

*All items currently showing as Rescheduled for the September Update are due to revised timeframes and are still expected to be implemented.



Refer to Attachment 2 - Bayside Interim Audit Action Plan – Open Items (September 2018 Update) for details on which includes items have been “Rescheduled” or are considered “Off-Track”.

The two key issues that are considered “Off-Track” in part or in full are:

Audit Issues Off-Track	
Audit Issue	Overall Comment
Issue.9 - Fixed Assets	<p>Monthly posting of Depreciation: Off track. Major project to address asset management and systems is being implemented, timeframes unclear. Currently, manual systems in Excel - Depreciation postings are currently manual as the Fixed Asset Registers are not operating in TechnologyOne for a variety of reasons. A full systems review is being undertaken to review the current system configuration and set-up. For monthly reporting, Finance will use standing journals as an interim solution for quarterly reporting. Off-track. Capitalisation of Work In Progress at point of commissioning.</p> <p>Capitalisation of Work in Progress on Monthly Basis: Off-track - Currently capitalisation occurs on an annual basis. The Post Implementation Review of TechnologyOne will provide a road map with recommendations on the Fixed Assets & Work Order Systems. Monthly WIP capitalisation is not occurring at this stage due to fundamental issues in set-up of the Fixed Assets Registers and processes in the TechnologyOne system. With assets for Bayside East not yet being established in TechnologyOne subject to the post implementation. Separate major project to address all Asset issues and project management issue.</p>

Summary of Business Process and Controls Framework - Update

The review of high risk business processes and the identification and mapping of internal controls has been completed with ‘draft’ business processes documented. As a result of these reviews a number of changes have either been implemented, are underway and / or identified as requiring further investigation.

Whilst the “draft” processes and controls have been documented, the next step is to finalise the approval process, confirm and engage business owners, finalise reviews and prioritise implementation actions to embed changes in roles, responsibilities, systems and processes, and implement monitoring of compliance. Processes impacting organisationally will require further engagement and review with nominated business owners, the finance team and key stakeholders to assess the recommendations for improvement, agree on the changes and implementation in order to realise potential benefits.

Business and process controls approval framework:

At this stage, the business process and controls documents remain in draft and require review and final agreement with the relevant business owners, SMEs and impacted stakeholders. This review also requires the development of policy and business rules that govern the business processes.

The Executive Committee has approved the following Business Process and Controls approval process:

Business Process & Impact	Approvals
Business Unit is also the Business Process Owner and the Business process only impacts on Business Owner's business unit	Designated Business Process Owner (also known as the Business Unity Manager). Process is to be approved by responsible Director.
Business process impacts on stakeholders across a Directorate and changes do not require any significant: <ul style="list-style-type: none"> ▪ changes to IT Systems ▪ non-budgeted financial investment ▪ change to staff roles and responsibilities. 	Designated Business Process Owner is responsible for the process. Process is to be approved by responsible Director.
Business process impacts on stakeholders across a Directorate and changes require significant: <ul style="list-style-type: none"> ▪ changes to IT Systems ▪ non-budgeted financial investment ▪ change to staff roles and responsibilities. 	Designated Business Process Owner is responsible for the process. Business case may be required and may require approval by IT Steering Committee and / or Executive. Process is to be approved by responsible Director (subject to approved Business Case/s).
Business process impacts on stakeholders across the organisations and / or external Customers.	Designated Business Process Owner is responsible for the process. Process is to be endorsed by responsible Director. Process is to be approved by the Executive.

Implementation Timeframes:

Implementation timeframes have been impacted by the ongoing challenges in finalising the 2016/17 Financial Statements audit and completing the 2017/18 Financial Statements. This has impacted on availability of key Finance staff and subject matter experts to engage and support the embedding of changes as the finance team did not return to normal operating cycles in 2017/18. The focus for 2018/19 is on prioritising the business process and controls changes and embedding the business practices within Finance and across the organisation.

Attachment 3 – 'Business Process & Controls – Sep 2018 Update' provides an overview of the business processes and controls.

A number of key dependencies also exist which will continue to influence management's priorities including:

- 2016/17 Audit Management Letter (recommendations).
- 2017/18 Interim Audit Management Letter & Final Audit Management Letter (recommendations).
- Post Implementation Review TechnologyOne.
- Emerging issues as a result of reviews and monitoring.

A number of other projects and system implementations will also continue to influence final business process design and final controls:

- Authority to TechnologyOne Transaction Transfer.
- IChris implementation.
- Human Resource Systems for recruitment.
- Policy harmonisation project – business process design has adopted assumptions of key business policy and / or rules which may require formal approval.
- TechnologyOne Enterprise Budgeting (EB).
- LGSS Fees and Charges Module.
- Transition of business from Authority to Pathway and TechnologyOne.
- Asset management and work orders system improvements.

Summary Overall

Overall progress has been positive in many areas in strengthening internal controls, however a number of management's planned actions have been delayed or partially completed during the period since the last update was provided to the Risk & Audit Committee.

In part, this has been due to the following factors:

- Reprioritisation based on current issues emerging, resulting in a need to reprioritise some actions where the number of resources in Finance or Procurement are limited.
- Continued limited Finance staff availability due to the challenges of finalising the accounts and audit for the first Bayside Council Financial Statements for 2016/17 across multiple financial systems, and the ongoing development of financial systems and reporting within the concurrent financial year 2017/18 and preparation of the 2017/18 Financial Statements (ready for audit).
- Business process complexities due to the ongoing transition and harmonisation of systems across Bayside and the combining of the former Council's teams with colocation occurring in November 2017, but where some functions remain on the legacy systems for Bayside East operations (Authority).

This has resulted in additional time in the review processes to identify current issues and work with teams to implement solutions, including the required levels of internal controls, in the current operating environment to develop and document more effective business processes. The next phase is to focus on improving the financial management information systems and prioritising the implementation and embedding the financial management controls in 2018/19.

Attachments

- 1 ICAC Open Items Sept 2018 [↓](#)
- 2 Audit Open Items Sept 2018 [↓](#)
- 3 Budget Process & Controls Sept 2018 [↓](#)

ATTACHMENT 1 - BAYSIDE ICAC ACTION PLAN – 2017/18 ACTIONS - OPEN ITEMS (SEPTEMBER 2018 UPDATE)

Update: Risk and Audit Committee 27/09/2018

Source: ICAC REPORT on Operation Ricco - Investigation into the conduct of the former City of Botany Bay Council Chief Financial Officer and others

Recommendation	Actions	Financial Year	ACTION PLAN DETAIL	Responsible Manager	Action/s	Revised End Date	On Track / Off Track (if Off provide Mgr Comment) / NFR Complete	Management Comment SEPTEMBER-2018
Recommendation 1			Action ID					
1.1.1	That Bayside Council reviews its financial processes and makes any necessary changes to ensure that:	2017/18	A.1.1.1.1	Director City Performance	Map Accounts Payable Business Process & Internal controls, document and implemented agreed process with Finance Manager	31/12/2018	Rescheduled	High risk finance business processes and internal controls have been documented. The Accounts Payable Business process is implemented and segregation of duties between Supplier Maintenance and Accounts Payable embedded. Focus in 2018/19 is embedding processes and compliance monitoring.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	2017/18	A.1.1.2.9	Manager Procurement	Update and issue new Bayside Policy, Procedures Implement operations in procurement team to manage the procurement functions Monitor work plan	31/12/2018	Rescheduled	Policy, procedures and training were implemented in 2017 and updated for continuous improvement into 2018. Monitoring and ongoing detailed reviews and updates of documentation are included in the Procurement Unit's Work Plan. Procedures have been documented as part of the Business Process and Controls Review and the implementation of new system controls. A TechnologyOne Post Implementation Review is also in progress to continue to identify ways to embed the new systems. Focus in 2018/19 is embedding processes and compliance monitoring.
1.1.2		2017/18	A.1.1.2.14	Manager Procurement	Review of suppliers, categories and best value completed by June 2018	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. Reviews implemented from Nov-17 and new categories have been developed in conjunction with stakeholders. Updates to TechnologyOne are being implemented in first quarter 2018/19 and the ongoing best value reviews will be incorporated into the Business Unit Workplan and BP&C review.
1.1.2		2017/18	A.1.1.2.15	Manager Procurement	Investigate and prepare business case on use of Techone Contract Register	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. Business Process Mapping of the current Contracts process is complete. Manager Procurement is updating contract data attributes and continuing to embed the process. The Manager Procurement will prepare a business case subject to the Post Implementation Review of TechnologyOne. Focus in 2018/19 on embedding business process and controls.

	Recommendation	Actions	Financial Year	ACTION PLAN DETAIL	Responsible Manager	Revised End Date	On Track / Off Track (if Off provide Mgr Comment) / NFR Complete	Management Comment SEPTEMBER-2018
1.1.3	Sufficient segregations exist in its invoice payment processes (including the introduction of a three-way match arrangement) to manage the risks associated with fraudulent payments	Introduction of "No Purchase Order No Payment" policy and processes and a roll out of training to all staff and suppliers to ensure understanding and compliance. Reporting to identify non compliance, reparative measures and training requirements.	2017/18	A.1.1.3.6	Manager Procurement	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. Policy position implemented and ongoing training, reporting and monitoring in place to develop compliance and address business requirements. Manager Procurement has implemented monitoring - results will be monitored and coaching and support given to non-compliant areas. Focus in 2018/19 to embed business procedures and policy.
1.1.3		The development of clear processes will also include controls which will require adequate segregation and independent matching in all locations where ordering occurs and goods are received. The assurance of compliance will be part of the Health Check program.	2017/18	A.1.1.3.7	Manager Procurement	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/05/2018 to 31/12/2018. Internal health check completed based on current state. Manager Procurement is implementing recommendations. Business process and controls to be embedded in 2018/19.
1.1.4	Operational managers have visibility over, and involvement in, setting budgets and monitoring expenditure against these budgets	Training for managers in financial and performance management and in financial management policies and processes.	2017/18	A.1.1.4.6	Manager Finance, Operational Managers	31/03/2019	Rescheduled	Rescheduled. Date revised from 30/06/2018 to 31/03/2019. The Finance Manager has implemented new programs (ETL's) to extract data from the Authority System and post into TechnologyOne for 2018/19 transactions (Jul-18). Updated procedures and training is being implemented and monthly reporting to Executive has commenced. Training will be provided for all business unit managers and budget responsibility officers in budget and management reporting requirements for 2018/19 in line with the financial management cycle. Process will continue to be embedded with ongoing continuous improvement. Focus in 2018/19 is embedding month end reporting process and improving data integrity, financial and budget
1.1.4		Budget and financial management and policy compliance included in Manager's Business Unit Performance Plans which include requirements for monitoring and review.	2017/18	A.1.1.4.7	Manager Finance, Operational Managers	31/12/2018	Rescheduled	Rescheduled from 30/06/2018 to 31/12/2018. Measures developed and are to be implemented in the 2018/19 Workplans.
1.1.4		Budget and Financial and Governance Performance KPI's be incorporated into Manager's Performance Agreements and Reviews.	2017/18	A.1.1.4.8	Manager People Organisation & Culture	31/12/2018	On-Track	GM Performance Contract will be updated when next reviewed.
1.1.4		Develop and implement an organisational wide business process for Monthly Reviews of Budget and Performance, including training and roll-out.	2017/18	A.1.1.4.9	Manager Finance	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/18 to 31/12/18. Business Partner Model implemented and Enterprise Budget Module has been implemented for 2018/19 and rollout is in progress.

	Recommendation	Actions	Financial Year	ACTION PLAN DETAIL	Responsible Manager	Action/s	Revised End Date	On Track / Off Track (if Off provide Mgr Comment) / NFR Complete	Management Comment SEPTEMBER-2018
1.1.4		Quarterly reforecasts by Managers assisted and facilitated by Finance. Full narrative and substantiation to be provided for budget amendments in Techone system. Business rules to be discussed and agreed with the Exec in August 2017.	2017/18	A.1.1.4.10	Manager Finance	Business partner model implemented Jan-Mar-17 Training developed - as per A.1.1.4.6	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/18 to 31/12/18. Business Partner Model implemented and Enterprise Budget Module has been implemented for 2018/19 and rollout is in progress. Business rules to be developed and agreed.
1.1.5	adequate segregations exist across different financial processes.	Develop Financial Operating Model for the Organisation - with full suite of processes, internal controls embedded, supported by systems and training of Finance staff and Users.	2017/18	A.1.1.4.12	Director City Performance	As per A.1.1.1.1	31/12/2018	Rescheduled	Rescheduled. Revised date from 19/08/18 to 31/12/18. The development of the high risk finance Business Process & Controls have been documented and work is continuing to embed the business practices. A second stage project is planned to focus on continuing to develop financial management practices, enabling the finance teams capability and organisational wide financial management capability. Significant progress has been made and projects to harmonise financial systems across the organisation are being implemented in first half of 2018/19. These projects will continue to improve the timeliness, quality and accuracy of the financial information for reporting and decision making purposes.
1.1.5		Risk review of all processes to identify required segregation of duties to be implemented in the business process reviews.	2017/18	A.1.1.4.13	Manager Governance and Risk	As per A.1.1.2.13	31/12/2018	Rescheduled	Rescheduled. Revised date from 19/08/18 to 31/12/18. Internal controls implemented in the business process and controls reviews. Business ownership and governance processes to be embedded in 2018/19.
1.1.5		Embed changes in segregation of duties into Position Description - Work Plans.	2017/18	A.1.1.4.14	Manager Finance	As per A.1.1.2.1	31/12/2018	Rescheduled	Rescheduled. Revised date from 19/08/18 to 31/12/18. Embedding of business processes and controls includes change management and implementation plans - changes to Work Plans and Position Descriptions will be actioned in the first half of 2018/19.
1.1.5		Ongoing review and implementation of audit recommendations regarding segregation of duties.	2017/18	A.1.1.4.15	Manager Finance	As per A.1.1.2.1	31/12/2018	Rescheduled	Rescheduled. Revised date from 19/08/18 to 31/12/18. Embedding of business processes and controls includes change management and implementation plans - changes to Work Plans and Position Descriptions will be actioned in the first half of 2018/19.
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Interim Finance measures in 2016/17 have included: Implementation of a Delegations Register including financial delegations and specimen signatures; detailed secondary review by senior finance staff of all payments; changes to Bank Authorities and implementation of a Signatory A (Finance) & Signatory B (Non-Finance) for EFT and cheque payments.	2016/17	A.2.1.1	Director City Performance	As per A1.1.3.1 Bank delegations updated to reflect separation of officers	30/10/2018	Rescheduled	Rescheduled. Revised date from 30/06/18 to 30/10/18. Bank signatories being revised as part of Treasury Management review.
2.1		Monitoring of Charge Cards for Bunnings and Fuel Cards closely monitored by Procurement.	2016/17	A.2.1.3	Manager Procurement	Procurement staff monitor expenditure monthly	30/10/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 30/10/2018. Business Process & Controls review completed with changes to be embedded in 2018/19.

	Recommendation	Actions	Financial Year	ACTION PLAN DETAIL	Responsible Manager	Action/s	Revised End Date	On Track / Off Track (if Off provide Mgr Comment) / NFR Complete	Management Comment SEPTEMBER-2018
2.1		Improvements to reconciliations - for bank and balance sheet.	2016/17	A.2.1.4	Manager Finance	Coordination Financial Accounting - Daily and Monthly Reconciliations included in Finance Procedures Coordinator Financial Services - reports non-compliance and uncleared balances to Manager Finance monthly	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. In 2016/17 and 2017/18 monthly reconciliations were not completed and signed off within the month, however financial year end reconciliations have been completed for 2016/17 and 2017/18. The focus in 2018/19 is to embed month end procedures including accruals, controls over journals, reconciliations of the Balance Sheet and key accounts, including Bank Reconciliations to be completed daily. A review of the Bank Reconciliation identified technical issues in the system interface between Pathways and TechnologyOne Bank Reconciliation - resources were engaged to clear and reconcile the Bank Reconciliation in June to August. to simplify and resolve the integration of the Pathway System with TechnologyOne Bank Reconciliation. Work also continues to transition from Authority into Pathways and the TechnologyOne Bank Account. two financial systems is not yet complete. All reconciliations are to be reviewed by the responsible Coordinator and submitted to the Coordinator Financial Accounting for review, with material issues reported to Finance Manager.
2.1		Post amalgamation policy alignment and harmonisation	2016/17	A.2.1.6	Manager Governance and Risk	Review and update Policy Framework by June 2018 Policies reviewed and adopted; published and communicated to staff	30/06/2019	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 30/06/2019, key policy harmonisation has and continues to be prioritised.
2.1		Removal of systems access for individuals who's role has changed in the organisation.	2016/17	A.2.1.8	Director City Performance	As per 2.1.15	31/12/2018	Rescheduled	Rescheduled. Revised from 30/06/2018 to 31/12/2018. In progress. System and Security profile reviews are still ongoing. External consultancy in late 2017, however additional review required internally to align to business process and controls. System profiles and security have been referred to the Technology One Post implementation review currently underway - with report due in Sept/Oct-18 with changes to be implemented by 31/12/18.
2.1		Mapping of all key business processes (procurement, credit cards, accounts payable, cash management, receipting and inventory) and related controls. Establishment of clear documentation and continuing, ongoing and cyclical program of education for staff, contractors and suppliers.	2017/18	A.2.1.9	Director City Performance	As per A.1.1.1.1	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. New business process and control processes to be implemented and embedded in 2018/19.
2.1		Review of Policy on Purchase and Credit Cards, and mapping of business and systems processes.	2017/18	A.2.1.10	Manager Procurement	As per A.1.1.1.1	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. New business process and control processes to be implemented and embedded in 2018/19.

	Recommendation	Actions	Financial Year	ACTION PLAN DETAIL	Responsible Manager	Action/s	Revised End Date	On Track / Off Track (if Off provide Mgr Comment) / NFR Complete	Management Comment SEPTEMBER-2018
2.1		Ongoing improvement of reconciliation processes by transitioning of Authority systems to Tec hone (single system and set of bank accounts for Bayside Council). Full reconciliation performed across the balance sheet on a monthly basis.	2017/18	A.2.1.11	Manager Finance	Coordinator Financial Accounting - Update the Month End Checklist and reconciliation procedures Manager Finance - Review Monthly Reconciliation pack for completeness Coordinator Financial Accounting - standardise processes to improve reconciliations	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. New business process and control processes to be implemented and embedded in 2018/19.
2.1		Policy framework for new Bayside and prioritisation of policy development including the development of procedures and processes to reinforce work practices and embed controls.	2017/18	A.2.1.13	Manager Governance and Risk	Review and update Policy Framework by June 2018 Policies reviewed and adopted; published and communicated to staff	30/06/2019	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 30/06/2019, key policy harmonisation has and continues to be prioritised.
2.1		Implement a more robust Business Governance Model including strengthening the policy and process ownership model, systems, change protocols and authorities.	2017/18	A.2.1.14	Manager Governance and Risk	As per A.1.1.1.1 Develop a Business Ownership model Executive adopt a Business Ownership Model, and Governance process for change management to Policy, Process, Systems, Roles	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. A review of the Policy Framework has been completed and new templates and processes established. The 2018/19 focus is to adopt a business ownership model and change management process for the governance of business policy, process and systems.
2.1		Extensive review of all user system profiles and access. Alignment of systems access to reflect responsibility, segregation of duty and delegated authority.	2017/18	A.2.1.15	Manager Finance	External consultant engaged to review system access and controls (Jun-17 - Nov-17) Implement recommendations by 31/12/17	31/12/2018	Rescheduled	Rescheduled: Revised date from 30/06/18 to 31/12/18. System and Security profile reviews are still ongoing. External consultancy in late 2017, however additional review required internally to align to business process and controls. Business Process & Controls project reviewing Systems access and roles and responsibilities for segregation to implement system based (restrictions) internal controls. Feb-May Updates to Accounts Payable & Procurement TechOne Profiles have been implemented. Previous report has been referred to the Technology One post implementation review.
3.1		Conduct individual Capability Assessments and implement performance development plans. Address critical skills / capability issues on a team and individual level.	2017/18	A.3.1.6	Manager Finance	Identify required capabilities for each role Assess capability of staff against role capabilities Develop learning and development plans based on gap analysis and training needs analysis	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. Finance Position Descriptions have been updated to reflect PSC capability framework. The Business Process & Controls review has resulted in changes to be implemented to roles and responsibilities. The focus in 2018/19 is to work with the Manager Finance and finance coordinators, staff and POC to implement changes / updates to roles and responsibilities and implement transition plans and required training.
3.1	That Bayside Council reviews the position descriptions of key operational and financial roles to ensure that they include the required skill sets and qualifications.	Recruitment Policy & Procedures effectively implement the recruitment and maintenance of Skills and Qualifications management, e.g. verification of qualifications	2017/18	A.3.1.7	Manager People Organisation & Culture	Procedure updated by Dec-17	31/12/2019	On-Track	In progress

	Recommendation	Actions	Financial Year	ACTION PLAN DETAIL	Responsible Manager	Action/s	Revised End Date	On Track / Off Track (if Off provide Mgr Comment) / NFR Complete	Management Comment SEPTEMBER-2018
3.1		Finance staff qualifications and competency to be assessed and further training development to be provided as required.	2017/18	A.3.1.8	Manager Finance	As per A.3.1.6	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. Focus in 2018/19 is embedding financial management and internal controls within Finance with a number of business process changes to be implemented and embedded across finance. This will result in changes to some finance roles and responsibilities and updates to Position Descriptions and / or workplans. This will identify training needs and support required to develop staff capability.
4.1	That Bayside Council ensures that the implementation of both internal and external audit recommendations is considered by the elected body when evaluating the performance of the general manager.	General Manager performance contract to include KPI's and evaluation of the effectiveness of the implementation of internal and external audit recommendations.	2017/18	A.4.1.1	General Manager	General Manager contract updated	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. General Manager's performance contract is being updated.
4.1		As part of the General Manager's Performance Review, the Internal & External Audit recommendations (including the Management Representation Letter) will be tabled with the Council's review committee.	2017/18	A.4.1.2	General Manager	General Manager Performance report to include the External Audit Management Letters, Management responses and update on implementation, and copy of Management Representation Letter	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. In progress and ongoing.
7.1	That Bayside Council ensures it has a robust system in place to monitor and report on the implementation of internal audit recommendations that is independent from management.	General Manager to review the independent assessment of the effectiveness of the Risk and Audit Committee, the Chair person's six monthly report, and to address deficiencies, and to report on the performance.	2017/18	A.7.1.5	General Manager	General Manager to review Independent Report on the Risk and Audit Committee by Mar-18 and Nov-19	30/11/2018	On-Track	In progress and ongoing.
8.1	That the General Manager of Bayside Council conducts a review of the audit committee's effectiveness and the adequacy of its arrangements to ensure that it fulfils the responsibilities of its charter and provides sufficient assistance to Bayside Council's governing body on governance processes.	General Manager to review the independent assessment of the effectiveness of the Risk and Audit Committee against KPIs and the Chair person will provide six monthly report. This will report on the performance and address deficiencies.	2017/18	A.8.1.2	General Manager	General Manager to review Independent Report on the Risk and Audit Committee by Mar-18 and Nov-19	30/11/2018	On-Track	In progress and ongoing.
8.1		External Independent Review of the Risk and Audit Committee to assess the effectiveness of the committee.	2017/18	A.8.1.3	General Manager	Appoint independent reviewer by 31/01/17	30/11/2018	On-Track	In progress and ongoing.

ATTACHMENT 2 - BAYSIDE INTERIM AUDIT ACTION PLAN - OPEN ITEMS (SEPTEMBER 2018 UPDATE)
Risk and Audit Committee 27/09/2018

Issue	Observation	Implication	Ref	Recommendations	Responsible Manager	Action/s	Revised End Date	On-Track / Rescheduled / Off Track / NFR Complete (if Off provide Mgr Comment)	Management Comment - SEPTEMBER 2018
ISS.3 - Payroll		<p>Masterfile access The payroll team has access to payroll master file, including employees bank accounts details</p> <p>Not all Masterfile changes are reviewed The "Log audit report" from Chris 21 is not being used to review all changes to employee master files.</p> <p>Review of exception reports Weekly exception reports generated by Chris 21, which are currently checked by the payroll team as part of the weekly payroll processing checklist, are not reviewed and approved by someone independent of the payroll process</p>	ISS.3.5	Attendance records should be kept to document whether staff were at work. These records should be compared to leave recorded to ensure all leave taken is recorded.	Manager People Organisation & Culture	<ol style="list-style-type: none"> 1. Payroll Coordinator to educate Supervisors and Managers in the correct process 2. Payroll Coordinator to review and monitor compliance with the process and record non-compliances for corrective action 3. Payroll Coordinator implement electronic time and attendance records 	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. New i-Chris single Bayside Payroll system and harmonisation of pay awards has been implemented for 2018/19. Reviews of Timesheets are being supported and reinforced. Internal working groups are supporting the specification of the new i-Chris payroll system including a review of the business process and controls. Investigations will be ongoing into Timesheet recording. Focus in 2018/19 embedding new system and internal controls.
ISS.8 - Review of reconciliations	General Ledger reconciliations are performed monthly, but only reviewed at year end. Performing and reviewing reconciliations is a key internal control for any organization.	<p>Ensuring all leave taken is Errors or fraud may not be identified and investigated in a timely manner</p>	ISS.8.1	An officer independent of the preparer should review general ledger reconciliations every month	Coordinator Financial Accounting	<ol style="list-style-type: none"> 1. Coordinator Financial Reporting prepare a Checklist and Month End process to allocate and monitor completeness and quality of reconciliations. 2. Coordinator Financial Reporting create and implement a TRIM folder for storing all Daily, Weekly (or other), and Monthly Reconciliations 	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. New monthly process implemented for 2018/19. 2017/18 controls were not fully effective during the year, however all reconciliations were updated for the 30 June 2018 as part of the year end process. 2017/18 controls were negatively impacted due to the number of financial reporting years and two financial systems running in parallel which meant that the monthly processes were intermittent. The focus for 2018/19 is to establish "normal" operating monthend procedures. The focus in 2018/19 is embedding this process.
ISS.8 - Review of reconciliations			ISS.8.2	Reconciling items should be addressed on a timely basis.	Managaer Finance	<ol style="list-style-type: none"> 1. Coordinator Financial Reporting to prepare Monthly report to monitor list of Monthly Reconciliation Adjustments and Age of unreconciled amounts. 2. Schedule Monthly Meetings between Director City Performance, Manager Finance and Coordinator Financial Reporting to discuss Reconciliations. 	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. Month end procedure implemented in 2018/19 with senior management reviews implemented to embed and drive the completeness, quality and timeliness of reconciliation to improve the integrity of the financial reporting for decision making. Focus in 2018/19 to embed process, quality and controls.

Issue	Observation	Implication	Ref	Recommendations	Responsible Manager	Action/s	Revised End Date	On-Track / Rescheduled / Off-Track / NFR Complete (if Off provide Mgr Comment)	Management Comment - SEPTEMBER 2018
ISS.8 - Review of reconciliations			ISS.8.3	Reconciling items should be addressed on a timely basis.	Managaer Governance	Gain approval and implement an update Delegations Manual to include Approve General Ledger Adjustments as a specific delegation & issue new delegations to Finance staff	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. Month end procedures and journal approval processes implemented for 2018/19. No financial delegations required, journals are in accordance with Finance Roles and Responsibilities. All journals are now subject to a line supervisor review by Coordinators, with Coordinators journals reviewed by the Manager Finance. Monthly reviews in progress to embed quality and controls in 2018/19.
ISS.5 - Accounting procedures manual	The Council does not have an Accounting Procedures Manual. There is inadequate documentation of policies and procedures on key business cycles such as: <ul style="list-style-type: none"> property, plant and equipment, fees and charges and other revenue billings, payroll and purchasing and payables etc. grant and contributions 	1. Internal controls may not be adequately designed and implemented. 2. Staff may not know the correct procedures to be followed. 3. There is a greater risk that fraud can be committed and not detected.	ISS.5.1	An Accounting Procedures Manual should be developed for the Council	Manager Finance	Implement Project Ricochet to develop business proces and controls framework to develop Business processes, document internal controls, and train and embed processes into the new Bayside Council.	31/12/2018	On-Track	BP&C Project updated and resources in place to complete works. 1st phase completed on priority business processes and to complete priority areas of the Accounting Procedures Manual - focus for 2018/19 is embedding business practice.
ISS.5 - Accounting procedures manual	The Council does not have an Accounting Procedures Manual. There is inadequate documentation of policies and procedures on key business cycles such as: <ul style="list-style-type: none"> property, plant and equipment, fees and charges and other revenue billings, payroll and purchasing and payables etc. grant and contributions 	1. Internal controls may not be adequately designed and implemented. 2. Staff may not know the correct procedures to be followed. 3. There is a greater risk that fraud can be committed and not detected.	ISS.5.2	Procedures should be designed to ensure that there are adequate internal controls including segregation of duties	Manager Finance	Implement Project Ricochet to develop business proces and controls framework to develop Business processes, document internal controls, and train and embed processes into the new Bayside Council - for Accounting Business process & internal controls / Procedures.	31/12/2018	On-Track	BP&C Reviews for priority areas completed. Accounting policies and procedures are being reviewed through the BP&C reviews for high priority processes. Focus on embedding in 2018/19. Issue - Assets & Payroll & Business unit subsystems.

Issue	Observation	Implication	Ref	Recommendations	Responsible Manager	Action/s	Revised End Date	On-Track / Rescheduled / Off-Track / NFR Complete (if Off provide Mgr Comment)	Management Comment - SEPTEMBER 2018
ISS.19 - Underground Fuel storage tanks at Bexley Depot		The Council has underground fuels storage tanks at its Bexley depot. We inquired about how old these tanks were and were told that staff were unsure but thought that staff were older than 25 years. Council staff did not appear to know if the design life had been exceeded. We inquired about testing for leaks and were provided with a report from Petrolink Engineering Pty Ltd dated 24/3/17 which showed hydrocarbons and lead in the ground water samples. It is not known whether this fuel leaked from the tanks or was spilled during the refueling process. Given the refueling area is banded it appears more likely that the tanks are leaking. We attempted to determine if fuel was missing or unaccounted for and noted: 1. There is no control in place to monitor the fuel usage or to identify potential fuel leaks. We noted there was a variance for Diesel (stock number: 116010) of 1,920 litres for the Dec 2016 stocktake which was not resolved. The variance for June 2017 stocktake was not explained/resolved up to our interim field work date (20/07/2017) 1a There was an incorrect fuel reading entered into the E1 system in December 2016 which resulted in miscalculation of fuel loss when measured against TechOne liability	ISS.19.5	Any variances identified during stocktakes should be investigated and resolved in a timely manner.	Manager Plant & Fleet	1. Manager Plant & Fleet - Implement monthly review and analysis and action discrepancies quarterly 2. Internal Auditor review Manager Plant & Fleets monthly monitoring and Quarterly adjustments 3. Manager Plant & Fleet - Ensure corrective actions are implemented within 1 week of non-compliance being identified	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/05/2018 to 31/12/2018. BP&C Review completed for Bayside - Bexley Depot & Botany Depot. Some issues with system / business process where fuel issues were not passing to TechnologyOne which has been resolved by IT setting up different stores location for the Fuel at Bayside - Botany Depot. Stocktake cycle for November and May annually. Coordinator and Manager stores implementing improvements. Processes to be embedded in 2018/19.
ISS.9 - Fixed Assets	1. There was no depreciation charged up to our interim fieldwork date for all the fixed assets (except vehicles disposed during the year). 2. Expenditure on WIP is expensed during the year and only capitalized at year end.	Expenditure will be misstated during the year and only corrected at year end. This will result in monthly management reports being meaningless. Managements review of the monthly results in an important internal control to the business and should be based on accurate information.	ISS.9.1	Depreciation should be charged on a monthly basis.	Manager Finance	1. Coordinator Financial Accounting to update Finance Month End Checklist and procedures to include monthly depreciation posting 2. Fixed Asset Accountant - post Depreciation Journal monthly for 2017/18 on a monthly basis 3. Coordinator Assets and Coordinator Financial Reporting identify and document the process to post monthly depreciation by 30/11/17	TBA - subject to roadmap	Off track	Off track. Technology One Post Implementation is in progress. Currently manual systems in Excel - Depreciation postings are currently manual as the Fixed Asset Registers are not operating in TechOne for a variety of reasons. A full systems review is being undertaken to review the current system configuration and set-up. Finance will use standing journals as an interim solution for quarterly reporting.
ISS.9 - Fixed Assets			ISS.9.2	WIP should be capitalized as it is incurred.	Manager Finance	Coordinator Financial Reporting - Capitalise 2017/18 WIP monthly from Dec 31	TBA - subject to roadmap	Off track	Off-track - Currently capitalisation occurs on an annual basis. The TechnologyOne Post Implementation Review will provide a road map with recommendations on the Fixed Assets & Work Order Systems. Monthly WIP capitalisation is not occurring at this stage due to fundamental issues in set-up of the Fixed Assets Registers and processes in the TechnologyOne system. With assets for Bayside East not yet being established in TechnologyOne subject to the post implementation. Separate major project to address all Asset issues and project management issue.

Issue	Observation	Implication	Ref	Recommendations	Responsible Manager	Action/s	Revised End Date	On-Track / Rescheduled / Off-Track / NFR Complete (if Off provide Mgr Comment)	Management Comment - SEPTEMBER 2018
ISS.2 - Review of user access rights	There is no regular periodic review of employees access rights to the systems.	There is a risk that when staff leave or move within the organisation they retain unnecessary access from prior job responsibilities. This could lead to the override of controls or fraud being committed without being detected.	ISS.2.1	Management should regularly review user access rights. The review should include validating that user access rights correspond with the current job responsibilities and support adequate segregation of duties	Manager IT	Receive Lanlaus Consulting report into authorisation limits and accesses and the TechOne system access. Implement agreed and required changes for segregation of duties and control limits - TechOne, Chris 21, and Authority systems.	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. In progress and interim controls in place. The report has been received and is being considered as part of the post implementation review of the key functions. TechOne Profiles have been modified for AP, Fleet & Procurement. New dashboards created across AP / Purchasing module to show which officers have created or modified supplier accounts which is reviewed by the Manager Procurement.
ISS.2 - Review of user access rights			ISS.2.2	Management should regularly review user access rights. The review should include validating that user access rights correspond with the current job responsibilities and support adequate segregation of duties	Manager People Organisation & Culture	PMO Project Manager - Develop and document the business process and controls for Onboarding and Offboarding processes.	31/12/2018	Rescheduled	Rescheduled. Revised date from 19/08/2018 to 31/12/2018 due to implementation of new HR systems. Work has commenced and a new system is being implemented to support the onboarding processes for staff. Internal working groups are consulting to broaden this process and to work with BP&C reviews to manage the workflow and controls (draft pending finalisation of new system documentation).
ISS.2 - Review of user access rights			ISS.2.3	Management should regularly review user access rights. The review should include validating that user access rights correspond with the current job responsibilities and support adequate segregation of duties	Manager Governance	Governance Manager to conduct quarterly review of compliance with delegations.	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. System and security to be aligned to roles and responsibilities. Reviews ongoing and quarterly review to be embedded in 2018/19.
ISS.4 - Lack of complete contract register	Bayside council does not have a complete and centralised contract register.	There may be inefficiencies from maintaining incomplete contract register and lack of clarity regarding contract responsibilities.	ISS.4.1	Management should implement a complete centralised contract register for the whole Council The register should include information such as: <ul style="list-style-type: none"> • details of the contractors, project undertaken or goods and services to be provided • date on which contract became effective and duration of the contract • estimated contract value • information to identify the legal, operational and financial responsibilities and custodians of the contracts 	Manager Procurement	Implement a centralised Contracts Register by 31/12/17. Document the Business Process and Controls for the Council's Contracts Management. Procurement Manager to conduct Monthly reviews of Contracts of emerging and new contracts, and upcoming ending / terminating contracts, and or renewals.	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. In progress and interim contracts register is being maintained in Excel. The Manager Procurement in conjunction with the Manager Finance will review the business requirements, and determine if TechnologyOne option is the best option. BP&C review completed and Post Implementation Review of TechnologyOne in progress. Manager Procurement updating the Register for all attributes and ongoing embedding to occur in 2018/19.

Issue	Observation	Implication	Ref	Recommendations	Responsible Manager	Action/s	Revised End Date	On-Track / Rescheduled / Off-Track / NFR Complete (if Off provide Mgr Comment)	Management Comment - SEPTEMBER 2018
ISS.4 - Lack of complete contract register			ISS.4.2	<p>Management should implement a complete centralised contract register for the whole Council</p> <p>The register should include information such as:</p> <ul style="list-style-type: none"> • details of the contractors, project undertaken or goods and services to be provided • date on which contract became effective and duration of the contract • estimated contract value • information to identify the legal, operational and financial responsibilities and custodians of the contracts 	Manager Procurement	Process mapping is also currently being undertaken to ensure that all roles and responsibilities are clear. BNG, a credentials checking agency, has also been engage to audit and certify WHS and other compliance requirements for contractors. All the recommended information is included in the data collected and the fields provided in TechOne.	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. Interim controls in place with excel contracts register. Business Processes and Controls (BP&C) review has been completed based on current excel based register in conjunction with the Manager Procurement Business Unit Work Plan. Manager Procurement is developing additional information to meet reporting requirements. Ongoing investigations of the TechnologyOne Contract Module have been referred to the Post Implementation Review.
ISS.4 - Lack of complete contract register			ISS.4.3	<p>Management should implement a complete centralised contract register for the whole Council</p> <p>The register should include information such as:</p> <ul style="list-style-type: none"> • details of the contractors, project undertaken or goods and services to be provided • date on which contract became effective and duration of the contract • estimated contract value • information to identify the legal, operational and financial responsibilities and custodians of the contracts 	Manager Procurement	Engage BNG, a credentials checking agency, to audit and certify WHS and other compliance requirements for contractors. Review and redress any non-compliance identified by BNG within 2 weeks and / or immediately if risk assessment critical.	31/12/2018	Rescheduled	Rescheduled from 31/07/2018 to 31/12/2018. A review of the Contractor Management process is scheduled in 2018/19 which will identify the most appropriate system/s for managing these requirements. In the interim, the Excel Contracts Register will be updated for current and new contracts. The TechnologyOne post implementation review will also make recommendations.
ISS.4 - Lack of complete contract register			ISS.4.4	<p>Management should implement a complete centralised contract register for the whole Council</p> <p>The register should include information such as:</p> <ul style="list-style-type: none"> • details of the contractors, project undertaken or goods and services to be provided • date on which contract became effective and duration of the contract • estimated contract value • information to identify the legal, operational and financial responsibilities and custodians of the contracts 	Manager Procurement	Configure TechOne to include the following fields: <ul style="list-style-type: none"> • details of the contractors, project undertaken or goods and services to be provided • date on which contract became effective and duration of the contract • estimated contract value • information to identify the legal, operational and financial responsibilities and custodians of the contracts 	31/12/2018	Rescheduled	Rescheduled from 31/07/2018 to 31/12/2018. A review of the Contractor Management process is scheduled in 2018/19 which will identify the most appropriate system/s for managing these requirements. In the interim, the Excel Contracts Register will be updated for current and new contracts. The TechnologyOne post implementation review will also make recommendations.
ISS.11 - Grants & contributions	Grants and contribution reconciliations were not completed from November 2016 to June 2017, also a central register is not maintained.	Grants and contributions may not be accounted for correctly	ISS.11.1	A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by management.	Manager Finance	Coordinator Rates & Revenue - Prepare Monthly Reconciliations of the Grants and Contributions Coordinator Financial Reporting - Include Monthly Reconciliations of the Grants and Contributions in the Month End Checklist and business procedures	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. Monthly reconciliations are not yet routine due to the current operating load across finance. This will be addressed once the financial year ends and audits for the former CBB and 2016/17 accounts are settled. The current focus will be to control and embed practice in 2018/19

Issue	Observation	Implication	Ref	Recommendations	Responsible Manager	Action/s	Revised End Date	On-Track / Rescheduled / Off-Track / NFR Complete (if Off provide Mgr Comment)	Management Comment - SEPTEMBER 2018
ISS.11 - Grants & contributions		Grants and contributions may not be accounted for correctly	ISS.11.1	A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by management.	Manager Finance	Co-ordinator Rates & Revenue - Develop and implement a centralised grants and contributions register showing approvals and acquittals Project Manager Business Process and Controls - Facilitate and develop, document, and implement an end-to-end business process and controls for Grants Management	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. Current focus to embed process for 2018/19. 2016/17 Financial year end complete and 2017/18 completed and subject to audit. System migration Authority to Pathway has resulted in limited resources to complete the process. Reconciliations will be reviewed with working papers. A consolidated grants register is being developed.
ISS.11 - Grants & contributions		Grants and contributions may not be accounted for correctly	ISS.11.1	A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by management.	Manager Finance	Manager Finance - Review Monthly Grants Movement Register (Nov-17, Dec-17, Jan-18, Feb-18, Mar-18, Apr-18, May-18, Jun-18, and monthly thereafter) Co-ordinator Financial Reporting - Included Finance Manager's Monthly review of Detailed Grants Register in Finance Month End Checklist	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 31/12/2018. The consolidated grants register is not yet implemented. Focus on embedding 2018/19.
ISS.15 - Review of accruals and provisions for bad and doubtful debts	The provision for bad and doubtful debts and accruals at year end is not reviewed by management	The balances may be misstated	ISS.15.1	Management should review accruals and provisions estimates regularly	Manager Finance	Coordinator Rates and Revenue - Conduct a monthly review of Debtors and identify actions for credit management Coordinator Financial Reporting - Include Monthly Reconciliations of the Debtors Credit Management Review and Provisioning of Bad and Doubtful Debts in the Month End Checklist and business procedures Project Manager Business Process and Controls - Document Business Process and Controls for Credit Management and provisioning bad and doubtful debts	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 30/09/2018. 2016/17 Bad and Doubtful Debts finalised, 2017/18 reviewed. BP&C review scheduled - part Accounts Receivable & Credit Management; and relates to Reconciliation and Year End.
ISS.15 - Review of accruals and provisions for bad and doubtful debts			ISS.15.2	Management should review accruals and provisions estimates regularly	Manager Finance	Manager Finance - Review Aged Trial Balance and credit management practices and the Provision for Doubtful Debts Quarterly (evidenced in Finance Month End Process) Co-ordinator Financial Reporting - Included Finance Manager's Monthly review of Detailed Grants Register in Finance Month End Checklist	30/09/2018	Rescheduled	Rescheduled. Revised date from 30/06/2018 to 30/09/2018. 2017/18 Aged Trial Balances will be reviewed as part of year end, and process for monthly review embedded in the Finance Month End Process.
ISS.18 - Rental System (REST)	The REST system is used for managing rental income of the Council, we noted 1. The REST system is not integrated with the finance system. (TechOne previously E1) 2. The Finance team does not have access to the REST system and bills for rents based on a manually maintained excel sheet sent from Property team. We noted differences in that spreadsheet of at least \$73,000 between what should have been billed and what was billed	Rents may be incorrectly billed	ISS.18.1	The Finance team should have access to the REST system.	Manager Property	Co-ordinator Financial Reporting - Review Monthly REST to TECH1 Reconciliation (Nov-17, Dec-17, Jan-18, Feb-18, Mar-18, Apr-18, May-18, Jun-18, and monthly thereafter) Co-ordinator Financial Reporting - Included Property Manager's preparation of REST to TECH1 Reconciliation and Finance Co-ordinators review of the Reconciliation Project Manager Business Process and Controls - Document the Business Process and Controls for the Monthly Reconciliation of the REST to TECH1	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/08/2018 to 31/12/2018. Issues in reconciliations have been identified and being worked on by Manager Property. New processes to be embedded in 2018/19 pending business case on new property system.

Issue	Observation	Implication	Ref	Recommendations	Responsible Manager	Action/s	Revised End Date	On-Track / Rescheduled / Off-Track / NFR Complete (if Off provide Mgr Comment)	Management Comment - SEPTEMBER 2018
ISS.18 - Rental System (REST)			ISS.18.2	Considerations should be given to integrating the REST system with the Finance system.	Manager Property	Manager Property & Manager Finance - Develop business requirements for new system Manager Property - Develop scope and business case for IMT Steering Com & Exec approval	31/12/2018	Rescheduled	Rescheduled. Revised dates from 30/06/2018 to 31/12/2018. Business requirements to be developed and business case for selection of a property management tool to incorporate the functionality of the REST system.
ISS.18 - Rental System (REST)			ISS.18.3	A review should be conducted to ensure the Council is correctly billing the rents it is entitled to.	Manager Finance	Co-ordinator Financial Reporting - Review Monthly REST to TECH1 Reconciliation (Nov-17, Dec-17, Jan-18, Feb-18, Mar-18, Apr-18, May-18, Jun-18, and monthly thereafter) Co-ordinator Financial Reporting - Included Property Manager's preparation of REST to TECH1 Reconciliation and Finance Co-ordinators review of the Reconciliation Project Manager Business Process and Controls - Document the Business Process and Controls for the Monthly Reconciliation of the REST to TECH1	31/12/2018	Rescheduled	Rescheduled. Revised date 30/06/2018 to 31/12/2018. Monthly reconciliations will be implemented for 2018/19. The 2017/18 reconciliation will be completed as part of 2017/18 financial year end. Month End timetable to include REST system.
ISS.20 - Stocktake processes	Stocktake procedures have not be formalized for the Council The draft Stores Management Manual only requires stocktakes to be performed "periodically". Only 2 stocktakes were conducted during the financial year, which is regarded as insufficient for stock items subject to theft or loss such as fuel 2. Duplicated stock numbers were noted in the stocktake reports which were referring to the same stock item. This means the quantities need to be combined of the duplicated stock numbers to come up with the actual variance.	If stock is not adequately controlled it is more likely to be stolen or lost.	ISS.20.1	The draft Stores Management Manual should be reviewed and updated to require more frequent stocktakes for items subject to theft or loss.	Manager Plant & Fleet	TechOne System Inventory Management module implemented and weekly fuel checks in place	31/12/2018	Rescheduled	Rescheduled. Revised date from 15/08/2018 to 31/12/2018. In progress and interim controls in place through Data Fuel. However, technical issues Aug - Jan resulted in files not being uploaded into TechOne from Bexley (this issue is now resolved), however there is an issue in the set-up in TechOne of the Bayside - Botany Depot fuel issues are still occurring but being investigated with IT. Business process and controls documented for inventory Management, to be embedded in 2018/19.
ISS.20 - Stocktake processes			ISS.20.1	Duplicated stock number should be removed to increase the overall efficiency of the stocktake.	Manager Plant & Fleet	Stocktake completed and adjustments processed in TechOne	31/12/2018	Rescheduled	Rescheduled. Revised date from NFR to 31/12/2018. New monthly process implemented for 2018/19. 2017/18 controls were not fully effective during the year, however all reconciliations were updated for the 30 June 2018 as part of the year end process. Stocktake processes to be embedded in 2018/19.

Issue	Observation	Implication	Ref	Recommendations	Responsible Manager	Action/s	Revised End Date	On-Track / Rescheduled / Off-Track / NFR Complete (if Off provide Mgr Comment)	Management Comment - SEPTEMBER 2018
ISS.20 - Stocktake processes			ISS.20.2	Any variance identified during stocktakes should be resolved on a timely basis.	Manager Plant & Fleet	Stocktake variances analysed and resolved	31/12/2018	Rescheduled	Rescheduled. Revised date from NFR to 31/12/2018. New monthly process implemented for 2018/19. 2017/18 controls were not fully effective during the year, however all reconciliations were updated for the 30 June 2018 as part of the year end process. Stocktake processes to be embedded in 2018/19.
ISS.7 - Investments	The Council holds over \$280million in investments at 31/5/17. There was no written approval for new investments placed (except those > 3 years terms which are approved by the Finance Manager by email).	Investment decision may not be in the best interest of the Council.	ISS.7.1	Due to the size of the Council's investment portfolio an investment committee should be established to:	Manager Finance	Establish a Charter for Investment Committee by 15/2/18 Convene an Investment Committee by 31/3/18	28/02/2019	Rescheduled	Rescheduled. Revised date from 31/03 to 31/12. Finance Business Unit Work Plan has a scheduled review of the Investment Policy including establishing a charter. There will not be a separate Investment Committee, however Council has established a Finance & Assets Committee and investment strategy and policy will be reported and reviewed by this Committee for referral to the Council.
ISS.7 - Investments			ISS.7.2	Set investment strategies including the terms of investments.	Manager Finance	Adopt Bayside Investment Strategy (with development of an independent advisor) & Policy during the 2017/18 IP&R Long Term Financial Strategy	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/05 to 31/12. Subject to business case and procurement process.
ISS.7 - Investments			ISS.7.3	Review cashflow needs of the Council to ensure that they line up with investments made.	Manager Finance	Align LTFP with Investment Strategy for 2017/18 IP&R	31/12/2018	Rescheduled	Rescheduled. Revised dates from 30/05/18 to 31/12/18. 2018/19 IP&R LTFP has been adopted however the Investment Strategy is yet to be developed. Investment advisor to be appointed (as above).

Budget Process and Controls Update – September 2018

Objective: To map high risk financial processes and implement internal controls to create sustainable business processes.

In response the ICAC Report on Operation Ricco Bayside Council initiated Project Ricochet to coordinate Council’s implementation of the recommendations. This included addressing Recommendation 2:

“That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.”

Update September 2018

Since May 2018 Council has engaged EVI Consulting to review and develop business process and controls for 18 key business processes. The reviews are substantially complete however the reviews identified a number of areas for improvement and change and further investigation required.

Business Processes	
Cash Handling	Contract Register
Delegations	Procurement
Accounts Payable	Accounts Receivable
Investments	Bank Reconciliations
Inventory Management	Financial Reporting & Budget Controls
Fees & Charges Setting	Deposit (Bond) Management
Purchase Cards	Developer Contributions
Bank Guarantees	Receipting
Legal Documents Register	Starters & Leavers Process

The business processes and controls and recommendations for improvement are in various stages, some; have already been implemented, are in the progress of being implemented, or are yet to be agreed with relevant stakeholders.

At this stage the business process and controls documents remain in draft and require review and final agreement with the relevant Business Owners, SMEs and impacted Stakeholders. This review also requires the development of the Policy and Business Rules that govern the business processes. As part of the reviews draft policy and business rules have been included were required.

Next Steps:

The next steps required are to:

- Confirm Business Ownership and approval process
- Agree policy assumptions and business rules with Business Owner
- Agree process and controls with Business Owner
- Seek final approval
- Communicate and roll-out implementation
- Train staff and embed changes
- Implement business process and controls monitoring and reporting of compliance

Summary:

During the development of the processes and controls many controls were identified that already existed or could be readily implemented, however others required changes in business rules, systems, practices and / or roles and responsibilities.

Where ever possible immediate changes have been supported during the development of the process in conjunction with the responsible business owners, managers and officers with further work needed to embed and monitor the success and compliance.

The process of developing the financial processes in conjunction with finance staff has also been challenging due to the ongoing focus of key finance personnel on finalising the 2016/17 Financial Statements and audit and the preparation of the 2017/18 Financial Statements. The complexity of the three core financial systems running in parallel (Pathways, TechnologyOne, and Authority) and the two bank accounts has also represented significant challenge and resulted in recommendations that management are working on to transition out of the Authority System and to one bank account.

These factors have impacted on the finance's team to return to normal monthly operating cycles and completion of reconciliation processes on a monthly basis in 2017/18. The reconciliations are key financial internal controls and are essential to the effectiveness of the business processes and controls. In response, management have adopted a project to focus on 2018/19 Quarter 1 to embed monthly financial management and reporting in 2018/19. A soft implementation was run for the July 2018 month end with follow up and reviews in August and focused efforts for September – November.

Financial management is an organisational wide issue and is the responsibility of all managers and staff. Compliance with policy and business processes requires all impacted users to understand and perform their roles and responsibilities proactively in accordance with the adopted business practice.

The next steps to embedding the changes to business process are to improve the quality of communication and engagement across the organisation and to develop the proactive monitoring and reporting tools to evaluate compliance and reinforce the changes.

A number of projects have also run in parallel which have meant ongoing changes continue to impact the business processes and will require further update once complete:

- Payroll – new IChris System was implemented in July to August 2018. Strawman processes only with documentation to come once implementation and data migration complete.
- Quarterly Budget Reporting – roll-out of new budget management tool TechnologyOne Enterprise Budgeting in progress. System testing in July to August.

- Fees & Charges – new LGSS Fees and Charges Module not yet implemented. Testing and implementation scheduled for March 2019.
- Authority Transactions into TechnologyOne – implemented July 2018 and still being reviewed and reconciled.
- Development of Workplans for 2018/19 – supports embedding of financial management compliance.

The business review process identified many key issues which were also referred to management and resulted in projects being implemented to improve key functions:

- Month end process – timetable and reconciliations
- Bank Reconciliation – issue with number of line items posting from Pathway resulting in backlog of transactions to be cleared. Bank reconciliation specialist was engaged to support the Bank Reconciliation Officer and changes made to Pathways to correct postings.

Benefits:

The business process and controls review process has identified significant areas of potential improvements which can result in improved outcomes in terms of efficiency and controls.

Some highlights include:

INVESTMENTS

1. Roll-up of Investments – currently 170 investments \$340m, ranging \$1m - \$5m, average investment \$2m.

Redeem current investments Principle & Interest as they fall due, and make larger weekly investment of \$10m lots, and 4 x \$5m (rolling 30 day for cash flow), approx. 30

Outcome: reduced number of transactions from approx. 600 annual transactions reduced to under 100 per year.

2. Reduction in Cash Management Account (1.45% pa) from \$32m to \$10m, additional \$22m invested at an additional 1.55% interest per annum

Outcome: approximate additional income \$340,000.

Risk & Audit Committee

27/09/2018

Item No	5.2
Subject	TechnologyOne Post Implementation Review Project
Report by	Matthew Walker, Manager Finance
File	F18/361

Summary

To provide a progress update on the Technology One Post Implementation Review Project.

Officer Recommendation

That the project progress update be received and noted.

Background

Council has engaged Galaxy42 to complete the Technology One Post Implementation Review Project, which commenced in July 2018. This project comprises a detailed technical review and a series of workshops across the Council user base to capture a detailed understanding of how the system is currently structured, utilised and to identify areas for improvement. This will result in a report and a roadmap for future improvements to be implemented.

To date, all scheduled workshops have been completed in July for Chart of Accounts, General Ledgers, Accounts Payable, Procurement, System User Setup / Security and Revenue Integration. In August workshops have been completed over the remaining modules including reporting and control processes, bank reconciliation and the Works & Assets Systems. Feedback from participants has been positive and, overall, the process has been well received by the staff involved.

At the time of writing this report, the initial walk through with management is scheduled for 25 September 2018, and final delivery of the roadmap is scheduled for early October 2018.

Attachments

Nil

Risk & Audit Committee

27/09/2018

Item No	5.3
Subject	Draft Internal Audit Plan 2019-2022 - Progress Update
Report by	Bruce Cooke, Acting Manager Governance & Risk
File	F17/535

Summary

The Acting Internal Auditor, Steve Kent of BDO has reviewed the previous draft Internal Audit Plan in response to a request by the Risk & Audit Committee Meeting of 24 May 2018. The Executive Committee has reviewed the BDO report, and in particular the revised draft Internal Audit Plan. Both the full review of the previous draft Plan, and a revised draft Plan are attached for consideration.

Officer Recommendation

- 1 That the attached Acting Internal Auditor's review of the existing draft Internal Audit Plan be received.
 - 2 That the attached Revised Draft Internal Audit Plan dated 16 September 2018 be approved.
-

Background

A draft Strategic Internal Audit Plan for the four years ending 30 June 2022 was previously considered by the Executive Committee and at the Risk & Audit Committee meeting on 24 May 2018. The Committee received and noted the draft plan, but requested that endorsement be deferred pending discussion with the Internal Auditor.

Since that time, the Internal Auditor has commenced leave for an extended period and Steve Kent from BDO has been engaged as the acting Internal Auditor to ensure continuity of internal audit functions in her absence.

The acting Internal Auditor has now reviewed the draft Audit Plan 2019 - 2022 and has provided a comprehensive report (attached), along with a proposed new draft plan. The Executive Committee, at its meeting of 13 September 2018, discussed this review and endorsed the proposed revised draft Internal Audit Plan contained therein.

Review Approach

The key steps taken by BDO in its approach to the review comprised the following:

- Reviewing the existing plan for coverage and consistency with Council's risk registers (Review Appendix A);

- Consulting with key Council stakeholders (including Risk & Audit independent members and Council senior management and SMEs) to confirm their expectations and views on the completeness of the content of the existing Plan (Review Appendix B);
- Reviewing relevant documentation to ensure that key local / risk areas are captured in the existing Plan. These documents included the ICAC Report, Auditor General's (AG) management letters, previous internal audit reports, strategic risk register, progress report for Project Ricochet (Review Appendix C);
- Reviewing the existing plan against other BDO council client plans for consistency and any obvious omissions. These councils are approximately the same size as Bayside (Review Appendix D);
- Redrafting the plan, as required based on the information collected and analysed above and submitting to the Executive Committee, Risk & Audit Committee with a view to it being adopted by Council (Review Appendix E); and
- Preparing draft and final reports covering BDO's observations, including a revised draft Internal Plan 2018/22 (Review Appendix E).

Observations

The detailed observations are outlined in the attached 'Review of current Internal Audit Plan'. From page 5 of attachment 1.

Revised Draft Audit Plan

The revised draft Internal Audit Plan 2019 - 2022, following its review by the Executive Committee, is attached as a separate document for discussion.

Attachments

- 1 Review of current Internal Audit Plan [↓](#)
- 2 Revised draft Internal Audit Plan 2019-2022 [↓](#)

DRAFT

**WOOLLAHRA MUNICIPAL COUNCIL
(WMC)**
Review of Strategic Internal Audit
Plan: 2019 -2022

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Inherent Limitations

The Services provided are advisory in nature and do not constitute an assurance engagement in accordance with Australian Standards on Review or Assurance Engagements or any form of audit under Australian Auditing Standards, and consequently no opinions or conclusions intended to convey assurance under these standards are expressed.

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made.

Our work is performed on a sample basis; we cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud.

Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by Bayside Council personnel. We have not attempted to verify these sources independently unless otherwise noted within the report.

Limitation of Use

This report is intended solely for the information and internal use of Bayside Council in accordance with the agreed Terms of Reference dated July 2018, and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than Bayside Council for our work, for this report, or for any reliance that may be placed on this report by any party other than Bayside Council.

Executive Summary

1. Background and scope

A draft Strategic Internal Audit Plan for the four years ending 30 June 2022 has been prepared by Council, reviewed by the Council's Executive Team and tabled before Council's Risk and Audit Committee meeting on 24 May 2018.

The Committee received and noted the Plan, but requested that endorsement be deferred pending discussion with the Internal Auditor.

The current BC Internal Auditor is on maternity leave for an extended period and BDO has been engaged to ensure continuity of internal audit functions in her absence.

As the first internal audit project for Council, BDO has been requested to undertake an independent review of the draft Plan and provide the Executive Team and the Committee with an assessment of its coverage and appropriateness, given the current state of Council's policies, procedures, processes, systems, risks and control environment.

The high level scope for this Project was contained in an approved Terms of Reference (TOR) document dated July 2018.

2. Approach

The key steps taken by BDO in its approach to the project as outlined in the abovementioned TOR document comprised the following:

- Reviewing the current Plan for coverage and consistency with BC's risk registers (refer **Appendix A** for a copy of the current draft Plan);
- Consulting with key BC stakeholders (including RAC Independent Members and BC Senior Management and SMEs) to confirm their expectations and views on the completeness of the content of the Plan (refer **Appendix B** for a listing of interviewees);
- Reviewing relevant documentation to ensure that key focal/ risk areas are captured in the Plan. This includes the ICAC Report, Auditor General's (AG) management letters, previous internal audit reports, strategic risk register, progress report for Project Ricochet (refer to **Appendix C** for a listing of key documentation reviewed);
- Reviewing the Plan against other BDO Council Client Plans for consistency and any obvious omissions. These Councils are approximately the same size as BC (refer **Appendix D**);
- Redrafting the Plan, as required, for the information collected and analysed above and submitting to the BC Executive and RAC for final sign off (refer **Appendix E**); and
- Preparing draft and final reports covering BDO's observations, including a new draft Plan (this document).

3. Observations

We set out below our general observations of the draft Plan and specific observations in regard to ICAC recommendations, AG recommendations and BC's strategic risk register.

General observations

- The Plan is very high level and lacks a sufficient level of detail in a number of areas to enable the BC Executive / RAC to understand the nature / focus of the internal audits. For example, the internal audit descriptions for the following items could be expanded:
 - Cash
 - Debtors
 - Fixed assets
 - GL
 - Creditors
 - Certifications and compliance
 - Registers
 - Policies and procedures - other
 - IT
 - Organisation structure management
 - Corporate risk management
 - HR
 - Anti-fraud and corruption management
 - BCP
- Some internal audits can be combined e.g. budget setting and monitoring and management reporting.
- Some items can be eliminated as they should be covered as scoping elements in other internal audits e.g. policies and procedures, registers etc.

- The risk ratings included in the Plan are not clear and not referenced to the risk registers. It is assumed that they are residual risk ratings. Further, we consider that the risk ratings appear to be too low compared to other major Councils BDO services (i.e. as included in the draft Plan - 3 High, 4 Medium and 24 Low). We would refer you to **Appendix D** that shows the comparative risk ratings for 3 other Councils, which in the main are higher. We would expect higher risk ratings, given the past history of Botany Bay Council.
- We have reviewed the Council's Strategic Risk Register and taken account of items therein when redrafting the Plan. The original draft Plan only took account of one strategic risk which is unusual; IT, but the nature of the internal audit was not specified, noting that IT risks are very broad. We did not find the 'draft' operational risk register useful as it needs to be updated and the volume of risks reduced significantly.
- For the other two high rated risk items in the draft Plan, we understand that cash management has been an historical issue with outside businesses for the old Botany Bay Council e.g. golf club, aquatic centre and squash courts. However, we understand that the value of inventories is not high (estimated at \$200K) and past procedural / control issues (not fraud) have been corrected. We have retained this item in the redrafted Plan, but only for 2018/2019.
- One mandatory internal audit is not included on the draft Plan e.g. DRIVES audit for RMS.
- It is appreciated that that a key focus of internal audit is the oversight of the implementation of ICAC and AG recommendations. The other key internal audit areas are the follow up of past health checks and the completion of health checks. We note that 3, 6, 6 and 9 internal audits are listed for completion over the above activities for 2019 - 2022. We consider that:
 - Health checks should be treated as high level internal audits and separately identified on the Plan (which they are not in the draft Plan). Other internal audits should be categorised as detailed ('deep dives'); and
 - For a Council the size of BC, the number of annual internal audits (including health checks) should be around 10-12 per annum. There is therefore scope to increase the number of internal audits per annum. **This is obviously dependent on the budget available and the number of internal audits proposed for 2018/2019 may need to be reduced to fit into BC's budget.**
- Follow up of Health Checks for 2017/2018 are planned for 2018 / 2019 and three separate Health Checks are planned for 2018 / 2019, without specification. We have assumed that no Health Checks will be required after 2018/2019 as policies, procedures and controls will have 'settled down' to allow more detailed internal audits to be completed. It is assumed that the follow up of historical recommendations, including for Health Checks will be incorporated into the 'normal' internal audit program.
- The number of weeks specified for each internal audit project from my assessment, generally appears too high. It is assumed that the internal audit program budgeted weeks (45) has been 'panel beaten' into the time available for one internal auditor. If Council considers that an expanded program

is appropriate, it will need to consider the recruitment of an extra resource or the outsourcing of some internal audits, as is done by other large councils.

- We have not been able to obtain a history of past internal audits, except four Health Checks. When developing Plans, this information is important as it allows the scheduling of internal audits on a cyclical basis, depending on the level of assurance provided by previous internal audits i.e. every 1, 2 or three years. A good example of this aspect is that the AGs has suggested a review of core systems every three years.
- It is suggested that an independent and external Quality Assurance Review (QAR) of the internal audit function be done every five years. This should be included in the next Strategic Internal Audit Planning cycle. In the meantime, it is planned that BDO will conduct a high level QAR (internal).
- There are a large number of inherently high risk areas that have not been included in the draft Plan. These are:
 - DAs, VPAs, Section 94 contributions.
 - Procurement including tendering
 - Contract management.
 - Legislative compliance.
 - Childcare / child protection
 - Delegations
 - Project management
 - Event management
 - Commercial businesses
 - Complaints and customer service
 - Records management
 - Flood management

Some of these are obvious from the benchmarking with other similar Councils included in **Appendix D**. Items that are not included in the BC draft Plan are shaded in **yellow**.

ICAC recommendations

From a review of ICAC recommendations, as outlined in **Appendix F**, we found that these were covered in the draft Plan, with the exception of procurement. We have included procurement in the updated draft Plan.

It is to be noted that the scoping's for internal audits of AP, HR and corporate risk will need to be specific in relation to ICAC findings.

AG recommendations

As with ICAC recommendations, we have reviewed the AG's recommendations to identify any obvious omissions in the draft Plan. Details of our analysis are set out in **Appendix G**.

There were a number of items identified that have not been included in the draft Plan. The main ones shaded in **yellow** are as follows;

- User access rights.
- Contracts register
- Golf Course revenue
- Seniors function
- Payments to Councillors
- System change management
- IT security policies.

We have taken account of the above items in the redrafted Plan.

It is to be noted that a number of other items are assumed to be included in the detailed scopes for items already on the draft Plan.

Strategic risk register

From a review of the BC Strategic Risk Register, the following items were not included in the draft Plan:

- Environmental management (M)
- Customer service (M)
- DAs (M)
- Change fatigue (M)

- IT security (M).

Details of our analysis are included in **Appendix H**. Relevant exceptions are marked as **yellow**.

Where applicable, we have taken into account the above items in the redrafted Plan.

4. Updated strategic internal audit plan

We have taken the relevant information collected from the preceding analyses and redrafted the draft Strategic Internal Audit Plan. This is set out in **Appendix E**.

The key points in regard to the Plan to note are as follows:

- Any Strategic Internal Audit Plan is a dynamic Plan that should be seen as a ‘guide’ for future internal audits, rather than a document that is ‘set in stone’. Accordingly, the Plan should be reviewed just before the beginning of each year to ensure that the Plan for the current year is aligned with BC’s risks, priorities, changed circumstances etc. Council can change the content of the Plan for each year and the order / timing of internal audits, as deemed appropriate.
- We have redrafted the Plan taking into account the draft Plan content, areas of omission as identified from other information sources (including interviews with key Council staff) and our assessment of risks and ratings. We have generally kept key items in the same general order as the draft Plan and then added other items as deemed appropriate.
- We have expanded the description of the internal audits listed in more detail (refer comments column) to enable them to be more easily understood and to reflect the key elements, where appropriate.
- We are not sure of the rationale for Health Checks and have assumed that these will only be required for 2018/2019 and thereafter, only follow up of recommendations will be required. This can be incorporated into the ‘normal Plan’. There will be a need to identify what specific Health Checks will be required for 2018/2019.
- The follow up (assumed) of legacy audits (issues list) could be undertaken in 2018/2019 at the same time as the follow up of Health Check recommendations. Accordingly, these have been combined. In following years, the follow up of recommendations should be done as part of the review of BC’s consolidated recommendations register. This is noted in Item 44 of the Plan.
- We have consolidated some internal audits which were separate items. This includes debtors, creditors and GL, with the addition of journals.
- We have eliminated certain items that would be generally covered in the scope of other internal audits. For example, policies and procedures (2), registers, management of audit recommendations etc.

- Cash is seen as a High Risk item for BC and reviews for Years 2019- 2021 are planned. We consider that a detailed internal audit should be undertaken in 2018 / 2019 only and thereafter every 5 years depending on the findings from the preceding internal audit. This would be picked up in the scope of following years through the review of commercial businesses where cash handling is a major process.
- We have given our inherent risk ratings against internal audits, as well as, where available, the BC ratings that were included in the draft Plan. BDO's ratings are based on our past experience with other Councils.
- We consider that for a Council the size and complexity of BC that for each year, approximately 10-12 internal audits should be undertaken. For each year of the redrafted Plan, we have included 11, 11, 12 and 11 internal audits respectively. In 2018/2019, this includes three Health Checks that have yet to be defined.
- We have not included the weeks to complete the redrafted Plan as Council's resourcing model needs to be reconsidered.
- We have included at the end of the redrafted Plan, a reserve list of internal audits that can be considered, if any internal audits in the redrafted Plan need to be substituted.

5. Recommendation

We now provide a redrafted Plan for the BC Executive's consideration, with a recommendation that it be reviewed and any feedback be provided to BDO so that the Plan can be amended, if required.

6. Acknowledgement

We would like to take this opportunity to thank BC Management and Staff for their co-operation and assistance during the course of the assignment.

7. Report clearance

The contents of this report has been discussed and agreed with by the Executive of BC.

Yours sincerely

Sean Pascoe

Partner, BDO Risk Advisory

Appendix A - Draft Internal Audit Plan Prepared by BC and reviewed by BDO

We have replicated below, BC's draft Strategic Internal Audit Plan. The number shown represent committed man weeks. The * represents follow up internal audit work on the implementation of ICAC and AC recommendations.

Item		Risk	Year 1	Year 2	Year 3	Year 4	Unplanned
1.	ICAC Ricco *	N/A	6				
2.	AG Bayside Interim Audit 16/17 *	N/A	6				
3.	Internal audit 'health checks' 17/18	N/A	4				
4.	Internal audit 'health checks' 18/19 (x3)	N/A	6	4	2	2	
5.	Legacy audits (Issues List)	N/A	2				
6	Total		24	4	2	2	
7	Cash	H	4	3	3		
8.	Investments	L				1	
9.	Debtors	M			8		
10.	Inventories (2 depots)	H	4	6			

Item		Risk	Year 1	Year 2	Year 3	Year 4	Unplanned
11.	Fixed Assets - Infrastructure	L		6			
12.	Fixed Assets - Property	M		4			
13.	Fixed Assets - Fleet and other	L				4	
14.	Creditors	L				8	
15.	Revenue - Rates and annual charges	M		6			
16.	Revenue - Grants & Contributions	M			4		
17.	Revenue - Other	L				4	
18.	Expenditure - Payroll/Leave	L			8		
19.	Expenditure - material and contracts	M		8			
20.	Expenditure - Other including p/cards	L				4	
21.	General Ledger	L			2		
22.	Certification & Compliance	L					4

Item		Risk	Year 1	Year 2	Year 3	Year 4	Unplanned
23.	Policies and procedures - Accounting	L				2	
24.	Policies and procedures - Other	L					4
25.	Registers	L				2	
26.	IT (Strategic Risk)	H	4				
27.	Budget setting and management	L					4
28.	Organisational Structure Management	L			2		
29.	Management of audit recommendations	L					2
30.	Corporate Risk Management	L				4	
31.	Human Resources	L					4
32.	Work Health & Safety	L					4
33.	Management reporting (internal)	L					4
34.	Performance Monitoring	L					4
35.	Integrated Planning & Reporting	L					4

Item		Risk	Year 1	Year 2	Year 3	Year 4	Unplanned
36	Anti-Fraud & Corruption Management	L					4
37.	Business Continuity Planning	L					4
38.	Other matters (liaison, meetings, etc.)		2	2	2	2	
39.	F/up - post internal audit and post Ricco		2	4	4	4	
40.	Follow-up annual external audit			1	1	1	
41	Internal audit plan contingencies		5	5	5	5	
42	Total weeks per annum		45	45	45	45	

Appendix B - Listing of interviewees

No	Document
1.	Meredith Wallace, General Manager
2.	Michael McCabe, Director of City Futures - was not available
3.	Debra Dawson, Director City Life
4.	Michael Mamo, Director City Performance
5.	Colin Clissold, Director City Presentation.
6.	Robert Kolimackovski, Manager, Information Technology
7.	Bobbie Mayne, Manager Procurement
8.	John Hughes, Co-ordinator Risk Management
9.	Independent R&A Committee Members
10.	Cate Trivers, Project Manager, Operation Richochet

Appendix C - Listing of key documentation reviewed

Document

Organisation chart

Draft Strategic Internal Audit Plan 2019-2022 and supporting papers

Strategic risk register and 'draft' operational risk register

Audit issues list

Audit Office management letter dated 3 November 2018

Audit Office draft management letter -undated- for the period ended 9/9/2016

Four health check internal audit reports for 2018

ICAC Report

ICAC action plan and progress reports on Project Richochet

Business controls report

Appendix D - BC's Draft Plan Benchmarked Against Three Other Comparable Councils

The yellow shading on internal audits represent internal audits not on the BC draft Plan.

Internal Audit Focal Area	Bayside	Council 1	Council 2	Council 3
Cash	High	Medium	N/A	Medium
Investments	Low	Medium	Moderate	High
Debtors	Medium	Medium	N/A	N/A
Inventories (2 depots)	High	N/A	N/A	N/A
Fixed assets - infrastructure	Low	High	Moderate	Medium/High
Fixed assets - property	Medium	Medium	Moderate	Medium/High
Fixed assets - fleet & other	Low	Medium	Moderate	Medium/High
Creditors	Low	Medium	N/A	N/A
Revenue - rates and annual charges	Medium	High	Significant	Medium

Internal Audit Focal Area	Bayside	Council 1	Council 2	Council 3
Revenue - user charges and fees	Medium	High	Significant	Medium
Revenue - grants and contributions	Low	High	Moderate	Medium
Revenue - other	Low	N/A	N/A	N/A
Expenditure - payroll/leave	Low	Medium	Moderate	Low
Expenditure - materials & contracts	Medium	Very High	N/A	Low/Medium/High
Expenditure - other including p/cards	Low	N/A	N/A	N/A
General ledger	Low	Medium	Moderate	N/A
Certification & compliance	Low	High	Moderate	Medium/High
Policies and procedures - accounting	Low	Medium	N/A	M/E

Internal Audit Focal Area	Bayside	Council 1	Council 2	Council 3
Policies and procedures - other	Low	N/A	N/A	M/E
Registers	Low	Very High	N/A	Medium/High
IT (strategic risk)	High	High	Significant	Medium/High
Budget setting and management	Low	Medium	Significant	High
Organisational structure management	Low	N/A	N/A	N/A
Management of audit recommendations	Low	N/A	N/A	N/A
Corporate risk management	Low	Very High	Extreme	Low
HR	Low	High	Significant	Medium
WH&S	Low	High	Significant	Medium/High
Management reporting (internal)	Low	N/A	Moderate	N/A

Internal Audit Focal Area	Bayside	Council 1	Council 2	Council 3
Performance monitoring	Low	High	N/A	Medium
Integrated planning & reporting	Low	Medium	N/A	N/A
Anti-fraud & corruption management	Low	Very High	N/A	Medium/High
Business continuity planning	Low	Very High	Extreme	Medium/High
Procurement/purchasing, including tendering	N/A	Very High	N/A	Low
Development Applications, Building Certificates, Fire Safety Certificates, Construction Certificates, Occupation Certificates and Section 94 Contributions	N/A	Very High	N/A	Medium/High
Conflicts of Interest	N/A	Very High	N/A	N/A
TechnologyOne/FinanceOne system implementation	N/A	Very High	N/A	High

Internal Audit Focal Area	Bayside	Council 1	Council 2	Council 3
IT Usage/Harmonisation	N/A	High	N/A	Medium/High
Project Management/Capital Works	N/A	High	Significant	Medium/High
Complaints Management	N/A	High	Significant	Medium
Voluntary Planning Agreements (VPAs)	N/A	High	Significant	N/A
Recording and Distribution of zoning information, rezoning applications and planning certificates	N/A	High	Significant	N/A
Controlled Entities/Businesses/Services	N/A	Medium	N/A	Medium/High
Stakeholder and Community Engagement	N/A	N/A	Significant	N/A
Media and Communications including Media Liaison, Website, Social Media, Staff Intranet	N/A	N/A	Moderate	N/A

Internal Audit Focal Area	Bayside	Council 1	Council 2	Council 3
Business Improvement Framework	N/A	N/A	Significant	N/A
Flood Management and Planning	N/A	N/A	Moderate	N/A
Waste Collection Services including Waste Contracts, Landfill, Transfer Stations	N/A	N/A	Significant	N/A
Commercial Operations (Child Care Centres and Riverside Theatre)	N/A	N/A	Significant	N/A
Carpark Operations (Street metered car parks and multi-level car parks)	N/A	N/A	Significant	N/A
Strategic land use planning including 603/149 Certificates	N/A	N/A	Significant	High
Information Privacy Management	N/A	N/A	Significant	N/A
Tree Management and Maintenance	N/A	N/A	Significant	N/A

Internal Audit Focal Area	Bayside	Council 1	Council 2	Council 3
Community Volunteering	N/A	N/A	Moderate	N/A
Corporate Governance	N/A	N/A	Significant	N/A
Library Services	N/A	N/A	Moderate	N/A
Records Management System and Processes	N/A	N/A	Moderate	Low/Medium/High
Delegations	N/A	N/A	Moderate	N/A
Major IT Projects - pre/post reviews	N/A	N/A	Moderate	N/A
RMS Drives System Access (Mandated by RMS)	N/A	N/A	Significant	N/A
Councillor’s Facilities and Expenses (Mandated by Policy)	N/A	N/A	Minor	N/A

Appendix E - BC's Redrafted Strategic Internal Audit Plan for the four years ending 30 June 2019-2022 (X denotes the planned year of completion)

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2018/19	2019/20	2020/21	2021/22
	SPECIAL INTERNAL AUDITS							
1.	Review of ICAC recommendations to confirm the progress made in implementation.		M	M	X	-	-	-
2.	Review of AG recommendations as per 2016/ 2017 management letters to confirm the progress made in implementation		M	M	X	-	-	-
3.	<p>Follow up of the status of health checks conducted in 2017 /2018. These include:</p> <ul style="list-style-type: none"> External contractor management. Procurement. Payroll. Employees' mandatory licences etc. <p>In addition, O/S legacy audit issues should be reviewed.</p>		NR	NR	X	-	-	-
	HEALTH CHECKS							

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2018/19	2019/20	2020/21	2021/22
4.	Health Check 1 - need to specify		NR	NR	X	-	-	-
5.	Health Check 2 - need to specify		NR	NR	X	-	-	-
6.	Health Check 3 - need to specify		NR	NR	X	-	-	-
	DETAILED INTERNAL AUDITS					-	-	-
7.	Cash handling	This will include cash held at commercial entities such as the golf club, aquatic centre, squash court and other locations, as applicable. This has been and historical issue for BBC.	H	L	X	-	-	-
8.	Inventories held at two depots and ancillary locations. Will consider AG issue of underground tanks at Bexley Depot.	Will consider AG issue of underground tanks at Bexley Depot.	H	L	X	-	-	-
9.	Information technology	Information technology. It is considered that best value will be obtained in 2018/2019 with an IT General Controls internal audit. This is required by the AGs and will include the review of change management (applications, databases, operating systems), IT security including access (would cover same three levels as for change management) and DRP/backups/restore/ batch processes, etc. It is suggested that in the following years more focused internal audits be undertaken covering application control reviews (TechOne, iCriss, Pathways), review of IT	H	H	X	X	X	X

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2018/19	2019/20	2020/21	2021/22
		governance (strategy, IT policies, structure, IT risks, outsourcing, IT projects, infrastructure management) and review of IT security policies/ vulnerability testing)						
10.	Asset management - property, facilities, plant / equipment and fleet	This would include maintenance, leases, licences, acquisitions, disposals.	M	H	X		-	-
11.	Asset management - Infrastructure	This would include asset management strategy, inspections, maintenance	L	M	-	X	-	-
12.	Key financial processes	<p>This will cover:</p> <ul style="list-style-type: none"> • AP • AR and provisioning • Reconciliations • GL • Journals <p>and spread over two years.</p> <p>It is to be noted that a special review of the processing of journal entries to income and expenditure accounts - 2017/2018 will be undertaken in 2018 / 2019</p>	L	M	-	X	X	-
13.	Rates and other charges management	This would include pensioner concessions and non-rateable properties.	M	H	X	-	-	-
14.	Grants management	This would include both received and paid.	L	M	-	-	X	-
15.	Payroll and leave management	This will include all major forms of leave.	L	H	-	-	X	-

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2018/19	2019/20	2020/21	2021/22
16.	Procurement / purchasing	This is considered to be a high risk area and should be done early. This will include policies and procedures, tendering and master file changes.	NR	H	X	-	-	-
17.	Contract management	This was included under the expenditure category in the draft Plan. It will cover consultants, contractors and any partnering/outsourcing agreements. Before undertaking a contracts register needs to be developed (this is planned).	M	H	-	X	-	-
20.	Compliance and regulatory enforcement	This was consolidated with certification but should be separated. Includes environmental, safety, health, building / fire compliance, parking and animal management, together with investigations.	L	M	-	-	X	-
21.	Certifications	Covers building, construction, occupation, fire, pool and other certifications, including PCA activities.	L	M	-	-	X	-
22.	Budget setting and management reporting	Have consolidated budget setting and management reporting which are related.	L	M	-	-	X	-
23.	Corporate risk management	This will involve a review of the organisation's risk management framework which will include policy, strategy, risk registers (strategic and operational) and risk plan.	L	H	-	X	-	-
24.	Human resource management	The nature of the internal audit focus needs to be specified. We would recommend a review of resource planning, recruitment /	L	H	-	X	-	-

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2018/19	2019/20	2020/21	2021/22
		selection processes, performance management or training.						
25.	WHS compliance framework	This is a high risk compliance area that applies across Council. The review is focused on the overarching framework.	L	H	-	X	-	
26.	Performance monitoring and reporting	It is assumed that this internal audit was included to accommodate the foreshadowed changes in the LG Act in regard to performance reporting.	L	M	-		X	-
27.	Integrated planning and reporting including strategic, operational and delivery plans	This would be focused on compliance with OLG requirements.	L	H	-	-	X	-
28.	Fraud and corruption prevention management.	This could be the development of the F&C framework by the Risk Team or a fraud and corruption risk assessment using the AG's fraud control improvement toolkit. This should be undertaken every three years.	L	H	-	X	-	X
29.	Business continuity management (BCM)	This would involve reviewing the organisation's BCP, DRP and CMP against better practice and its testing regime.	L	H	-	-	-	X
30.	Treasury and investment management	This would include Council's investment management strategy and supporting process.	L	M	-	-	-	X
31.	Project management	This would include reviewing Council's project management methodology against better practice and reviewing a selection of projects - construction , IT (post implementation reviews - e.g transfer to cloud (Gov DC) etc.	NR	H	-	-	X	-

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2018/19	2019/20	2020/21	2021/22
32.	Recording and distribution of zoning information, rezoning applications and planning certificates	Considered to be a high risk area based on past experience in regard to the recording =, communication and checking of information.	NR	H	-	-	-	-
33.	DAs, VPAS AND Section 94 / 94A contributions.	This will include completion of the ICAC Internal audit Checklist.	NR	H	X	-	-	-
34.	Legislative compliance	This would include a review of Council's legislative compliance framework, if in place and include Privacy.	NR	H	-	-	-	X
35.	Commercial businesses	These would be spread over the four years and include childcare, aquatic centre, squash courts and golf course.	NR	M	-	X	X	X
36.	Event management	This would focus on compliance Council's policies and procedures, risk management, planning, engagement of suppliers and volunteers etc.	NR	M	-	-	-	X
37.	Customer service management	This would include complaints management.	NR	M	-	-	-	X
38.	Change management	Given the significant change that Council has undergone it may be useful if a change management review was undertaken, including surveying staff. Change fatigue was noted as a strategic risk.	NR	H	-	X	-	-
39.	Conflicts of interest	Will include Disclosures of Pecuniary Interests	NR	H	-	-	-	X
40.	Records management	Focus will be on compliance and if applicable integration of TRIM with TechOne.	NR	M	-	--	-	X
41	Business improvement management	This will focus on the effectiveness of the Business Improvement Unit.	NR	M	-	-	-	X

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2018/19	2019/20	2020/21	2021/22
OTHER INTERNAL AUDIT ACTIVITIES								
42.	Review of risk management profile and update of Strategic / Annual Internal Audit Plans.		NR	NR	X	X	X	X
43.	Follow up review of the implementation of previous years' internal audit and external audit recommendations.		NR	NR	See 2 and 3 above	X	X	X
44.	A special internal audit project to consolidate BC's internal audit recommendations into a formal Recommendations Register is planned for 2018 / 2019. This would be followed up in subsequent years- see Item 44 above.		NR	NR	X	-	-	-
45.	Attendance at and reporting to the Audit, Risk and Improvement Committee.		NR	NR	X	X	X	X

RESERVE LIST OF INTERNAL AUDITS (WITH BDO RISK RATINGS)

- Stakeholder and community engagement (H)
- Credit and purchase cards (M)
- Delegations (L)
- Tree management and maintenance (M)
- Parks Management and maintenance (M)
- Insurance (L)
- Traffic management, including parking (M)
- Strategic land use planning, including 603 / 149 certificates (M)
- Flood management and planning (M)
- Corporate governance (M)
- Library services (M)
- Delegations (M)
- Councillors facilities and expenses (L)
- Media and communications (M)
- Social media management (M)
- Environmental management (M)

Appendix F - Details of ICAC Recommendations and Whether Covered in Draft Strategic Internal Audit Plan

Ire No	ICAC Recommendation	Covered by BC Draft Strategic Internal Audit Plan
1.	<p>That Bayside Council reviews its financial processes and makes any necessary changes to ensure that:</p> <ul style="list-style-type: none"> - its vendor master file is subject to appropriate segregation and review-based controls - sufficient segregations exist in its invoice payment processes (including the introduction of a three way match arrangement) to manage the risks associated with fraudulent payments - operational managers have visibility over and involved in, setting budgets and monitoring expenditure against these budgets - adequate segregations exist across different financial processes 	Yes, based on suitable scope being prepared.
2.	<p>That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption (including those related to procurement, invoice payment, fleet management and charge-card usage) and implements any recommendations arising from the review.</p>	Yes with the exception of procurement.
3.	<p>That Bayside Council reviews the position descriptions of key operational and financial roles to ensure that they include the required skill sets and qualifications.</p>	Yes, if included in scope for HR internal audit.
4.	<p>That Bayside Council ensures that the implementation of both internal and external audit recommendations is considered by the elected body when evaluating the performance of the general manager.</p>	N/A but follow up of internal audit and external audit recommendations included in Plan.

Ire No	ICAC Recommendation	Covered by BC Draft Strategic Internal Audit Plan
5.	That Bayside Council undertakes a risk assessment (including an assessment of fraud and corruption risks) to inform its internal audit plan.	Yes, if included in scopes for the relevant internal audits.
6.	That Bayside Council ensures that its internal audit function operates independently from management reporting functionally to its audit committee.	N/A
7.	That Bayside Council ensures it has a robust system in place to monitor and report on the implementation of internal audit recommendations that is independent from management.	Yes -Refer Item 4.
8.	That the general manager of Bayside Council conducts a review of the audit committee's effectiveness and the adequacy of its arrangements to ensure that it fulfils the responsibilities of its charter and provides sufficient assistance to Bayside Council's governing body on governance processes.	N/A
9.	That the NSW Government considers adopting a model of local council oversight that is comparable to that applicable to state government agencies. This model could include: <ul style="list-style-type: none"> - mandatory administration and governance directives similar to those that apply to state government agencies - requirements concerning the composition and operation of audit committees that are similar to those that apply to state government agencies - the requirement for council general managers to attest that audit committees are operating in accordance with requirements. 	N/A

Appendix G - Details of AG Recommendations and Whether Covered in Draft Strategic Internal Audit Plan (focus is on Extreme and Moderate Risks in 3/1/2017 and 9/9/2016 AG Management Letters).

No	Recommendations and Risk Rating	Covered by BC Draft Strategic Internal Audit Plan
1.	Approval of journals (E)	Yes, assuming that this is included in the review of the GL. It is to be noted that a special review of journals is planned in September 2018.
2.	AP (E)	Yes
3.	Payroll (E)	Yes
4.	Review of reconciliations (E)	Yes assuming that this is included in the review of the GL
5.	Accounting procedures manual (E)	Yes
6.	Underground storage tanks at Bexley Depot (E0)	Yes, assuming that this is included in the review of stores.
7.	Fixed assets (E)	Yes
8.	User access rights (M)	No
9.	Lack of contracts register (M)	No
10.	Grants and contributions (M)	Yes
11.	Accrual and provisions for doubtful debts (M)	Yes, but need to include in scope
12.	Rental system (M)	Yes, but need to include in scope
13.	Stocktake process (M)	Yes- include in scope for inventory internal audits.

No	Recommendations and Risk Rating	Covered by BC Draft Strategic Internal Audit Plan
14.	Golf course revenue (E)	No
15.	Senior citizen and staff functions (E)	No
16.	Payments to councillors (E)	No
17.	Long service leave (E)	Yes but need to include in scope
18.	Lack of system change management policies and documentation	No
19.	Lack of IT security policies and governance	No
20.	Overdue property rates	Yes but need to include in scope
21.	Lack of back up policy and DRP	Yes but need to include in scope DRP
22.	Petty cash	Yes

Appendix H - Details of Strategic Risks and Whether Covered in Draft Strategic Internal Audit Plan

No	Risk	Covered by BC Draft Strategic Internal Audit Plan
1.	Council may lack ability to manage emerging risks associated with large crowds of people in public places	No
2.	Inability to deliver and embrace new integrated technology platforms and businesses.	Yes
3.	Failure of infrastructure	Yes
4.	Failure to deliver one or more transition projects etc.	Yes
5.	Failure to identify and respond to emerging social issues - affordable housing	No - not auditable
6.	Airport does not pay significantly less than assessable rate equivalent payments.	Yes- should be picked up in rates review scope.
7.	Construction of F6 in LGA	No- not auditable
8.	Environmental risks	No
9.	Failure to manage assets etc.	Yes
10.	Customer service performance	No
11.	Inability to control urban development etc.	No- no DA review on Plan
12.	Bound by unprofitable airport business	No and N/A
13.	West Connex development	Not auditable

No	Risk	Covered by BC Draft Strategic Internal Audit Plan
14.	Unplanned impacts of population growth	Not auditable
15.	Change fatigue	No- consider change management review
16.	IT security	No
17.	ICAC /AG recommendations	Yes

Draft Internal Audit Plan 2019 - 2022

Prepared by BDO, Reviewed by Executive Committee

Item No	Internal Audit Area	Comments	Council Risk Ratings or Not Rated (NR)	BDO Risk Rating or Not Rated (NR)	2018/19	2019/20	2020/21	2021/22
SPECIAL INTERNAL AUDITS								
1.	Review of ICAC recommendations to confirm the progress made in implementation.		M	M	X	-	-	-
2.	Review of AG recommendations as per 2016/ 2017 management letters to confirm the progress made in implementation		M	M	X	-	-	-
3.	<p>Follow up of the status of health checks conducted in 2017 /2018. These include:</p> <ul style="list-style-type: none"> • External contractor management. • Procurement. • Payroll. • Employees' mandatory licences etc. <p>In addition, O/S legacy audit issues should be reviewed.</p>		NR	NR	X	-	-	-

Item No	Internal Audit Area	Comments	Council Risk Ratings or Not Rated (NR)	BDO Risk Rating or Not Rated (NR)	2018/19	2019/20	2020/21	2021/22
HEALTH CHECKS								
4.	Health Check 1 - need to specify		NR	NR	X	-	-	-
5.	Health Check 2 - need to specify		NR	NR	X	-	-	-
6.	Health Check 3 - need to specify		NR	NR	X	-	-	-
DETAILED INTERNAL AUDITS								
7.	Cash handling	This will include cash held at commercial entities such as the golf club, aquatic centre, squash court and other locations, as applicable. This has been and historical issue for BBC.	H	L	X	-	-	-
8.	Inventories held at two depots and ancillary locations. Will consider AG issue of underground tanks at Bexley Depot.	Will consider AG issue of underground tanks at Bexley Depot.	H	L	X	-	-	-

Item No	Internal Audit Area	Comments	Council Risk Ratings or Not Rated (NR)	BDO Risk Rating or Not Rated (NR)	2018/19	2019/20	2020/21	2021/22
9.	Information technology	Information technology. It is considered that best value will be obtained in 2018/2019 with an IT General Controls internal audit. This is required by the AGs and will include the review of change management (applications, databases, operating systems), IT security including access (would cover same three levels as for change management) and DRP/backups/restore/ batch processes, etc. It is suggested that in the following years more focused internal audits be undertaken covering application control reviews (TechOne, iCriss, Pathways), review of IT governance (strategy, IT policies, structure, IT risks, outsourcing, IT projects, infrastructure management) and review of IT security policies/ vulnerability testing)	H	H	X	X	X	X
10.	Asset management - property, facilities, plant / equipment and fleet	This would include maintenance, leases, licences, acquisitions, disposals.	M	H	X		-	-
13.	Rates and other charges management	This would include pensioner concessions and non-rateable properties.	M	H	X	-	-	-
16.	Procurement / purchasing	This is considered to be a high risk area and should be done early. This will include policies and procedures, tendering and master file changes.	NR	H	X	-	-	-
33.	DAs, VPAs a Section 94 / 94A contributions	This will include completion of the ICAC Internal audit Checklist.	NR	H	X	-	-	-
11.	Asset management - Infrastructure	This would include asset management strategy, inspections, maintenance	L	M	-	X	-	-

Item No	Internal Audit Area	Comments	Council Risk Ratings or Not Rated (NR)	BDO Risk Rating or Not Rated (NR)	2018/19	2019/20	2020/21	2021/22
12.	Key financial processes	<p>This will cover:</p> <ul style="list-style-type: none"> • AP • AR and provisioning • Reconciliations • GL • Journals <p>and spread over two years.</p> <p>It is to be noted that a special review of the processing of journal entries to income and expenditure accounts - 2017/2018 will be undertaken in 2018 / 2019</p>	L	M	-	X	X	-
14.	Grants management	This would include both received and paid.	L	M	-	-	X	-
15.	Payroll and leave management	This will include all major forms of leave.	L	H	-	-	X	-
17.	Contract management	This was included under the expenditure category in the draft Plan. It will cover consultants, contractors and any partnering/outsourcing agreements. Before undertaking a contracts register needs to be developed (this is planned).	M	H	-	X	-	-
20.	Compliance and regulatory enforcement	This was consolidated with certification but should be separated. Includes environmental, safety, health, building / fire compliance, parking and animal management, together with investigations.	L	M	-	-	X	-

Item No	Internal Audit Area	Comments	Council Risk Ratings or Not Rated (NR)	BDO Risk Rating or Not Rated (NR)	2018/19	2019/20	2020/21	2021/22
21.	Certifications	Covers building, construction, occupation, fire, pool and other certifications, including PCA activities.	L	M	-	-	X	-
22.	Budget setting and management reporting	Have consolidated budget setting and management reporting which are related.	L	M	-	-	X	-
23.	Corporate risk management	This will involve a review of the organisation's risk management framework which will include policy, strategy, risk registers (strategic and operational) and risk plan.	L	H	-	X	-	-
24.	Human resource management	The nature of the internal audit focus needs to be specified. We would recommend a review of resource planning, recruitment / selection processes, performance management or training.	L	H	-	X	-	
25.	WHS compliance framework	This is a high risk compliance area that applies across Council. The review is focused on the overarching framework.	L	H	-	X	-	
26.	Performance monitoring and reporting	It is assumed that this internal audit was included to accommodate the foreshadowed changes in the LG Act in regard to performance reporting.	L	M	-		X	-
27.	Integrated planning and reporting including strategic, operational and delivery plans	This would be focused on compliance with OLG requirements.	L	H	-	-	X	-
28.	Fraud and corruption prevention management.	This could be the development of the F&C framework by the Risk Team or a fraud and corruption risk assessment using the AG's fraud control improvement toolkit. This should be undertaken every three years.	L	H	-	X	-	X

Item No	Internal Audit Area	Comments	Council Risk Ratings or Not Rated (NR)	BDO Risk Rating or Not Rated (NR)	2018/19	2019/20	2020/21	2021/22
29.	Business continuity management (BCM)	This would involve reviewing the organisation's BCP, DRP and CMP against better practice and its testing regime.	L	H	-	-	-	X
30.	Treasury and investment management	This would include Council's investment management strategy and supporting process.	L	M	-	-	-	X
31.	Project management	This would include reviewing Council's project management methodology against better practice and reviewing a selection of projects - construction , IT (post implementation reviews - e.g transfer to cloud (Gov DC) etc.	NR	H	-	-	X	-
32.	Recording and distribution of zoning information, rezoning applications and planning certificates	Considered to be a high risk area based on past experience in regard to the recording =, communication and checking of information.	NR	H	-	-	-	-
34.	Legislative compliance	This would include a review of Council's legislative compliance framework, if in place and include Privacy.	NR	H	-	-	-	X
35.	Commercial businesses	These would be spread over the four years and include childcare, aquatic centre, squash courts and golf course.	NR	M	-	X	X	X
36.	Event management	This would focus on compliance Council's policies and procedures, risk management, planning, engagement of suppliers and volunteers etc.	NR	M	-	-	-	X
37.	Customer service management	This would include complaints management.	NR	M	-	-	-	X

Item No	Internal Audit Area	Comments	Council Risk Ratings or Not Rated (NR)	BDO Risk Rating or Not Rated (NR)	2018/19	2019/20	2020/21	2021/22
38.	Change management	Given the significant change that Council has undergone it may be useful if a change management review was undertaken, including surveying staff. Change fatigue was noted as a strategic risk.	NR	H	-	X	-	-
39.	Conflicts of interest	Will include Disclosures of Pecuniary Interests	NR	H	-	-	-	X
40.	Records management	Focus will be on compliance and if applicable integration of TRIM with TechOne.	NR	M	-	--	-	X
41	Business improvement management	This will focus on the effectiveness of the Business Improvement Unit.	NR	M	-	-	-	X
	OTHER INTERNAL AUDIT ACTIVITIES							
42.	Review of risk management profile and update of Strategic / Annual Internal Audit Plans.		NR	NR	X	X	X	X
43.	Follow up review of the implementation of previous years' internal audit and external audit recommendations.		NR	NR	See 2 and 3 above	X	X	X

Item No	Internal Audit Area	Comments	Council Risk Ratings or Not Rated (NR)	BDO Risk Rating or Not Rated (NR)	2018/19	2019/20	2020/21	2021/22
44.	A special internal audit project to consolidate BC's internal audit recommendations into a formal Recommendations Register is planned for 2018 / 2019. This would be followed up in subsequent years- see Item 44 above.		NR	NR	X	-	-	-
45.	Attendance at and reporting to the Audit, Risk and Improvement Committee.		NR	NR	X	X	X	X

Risk & Audit Committee

27/09/2018

Item No	5.4
Subject	Draft 2016-17 Bayside Financial Statements
Report by	Matthew Walker, Manager Finance
File	F09/744

Summary

The Manager Finance provides an update on the progress on the draft 2016-17 Financial Reports, this will include a presentation at the meeting as an overview of the key assumptions and judgements incorporated as part of the finalisation of the financial reports. An update on audit status will be provided by the Audit Office NSW, Audit Director. If available updated financial reports will be provided at the meeting.

Officer Recommendation

That the update on the progress of the draft 2016/17 Financial Reports be received and noted.

Background

As advised at the 23 August 2018 Risk & Audit Committee meeting, Council has issued the draft 2016/17 Financial Reports for Audit and the audit process is underway.

As advised at the August 2018 meeting by the Audit Director, significant issues in relation to the sample testing and verification of the Income Statement have been encountered during the audit. These issues will be referred to the Audit Office technical team and the focus of the audit has shifted to the Balance Sheet. The outcome of the review by the technical team will have an impact on the content of the Statement by Councillors and Management.

Council officers have expended considerable time and effort in preparing the draft 2016/17 financial reports, including completing a review of the transactional data of the multiple accounting systems used over the reporting period. This was further complicated by the reporting period commencing on 10 September 2016, with the financial systems being used, not being setup to create a new reporting period mid-stream with no forewarning or opportunity for effective planning. As part of this process it was verified that transactions recognised in the multiple accounting systems (Technology One and Civica) were included in the values disclosed in the draft financial reports. However, the volume of entries recognised effectively as general journal entries have impacted on the provision of an effective sample verification test.

During the course of the audit, a number of error disclosures have been made and these mainly relate to assets recognised in the draft financial reports, which have been identified post issuing of the draft 2016/17 financial reports for audit. These errors will be corrected after the audit process is completed and before audit is finalised.

Council has received approval from the Office of Local Government (OLG) for an extension on the lodgement of the audited 2016/17 Financial Reports until 30 September 2018.

As a result of the ongoing audit issues, Council has commenced a focus on embedding the business process and controls project action items in 2018/19, with the Audit Office agreeing to undertake a test of controls audit in October 2018. This audit will focus on the first quarter of 2018/19 and will form part of the interim audit for this period. It is expected that this focus on the current year will assist the transition of key resources into the present in place of the previous focus on prior financial years.

It is also noted that due to the extended delays in finalising the 2016/17 financial reports, it is likely that the completion of the 2017/18 financial reports and associated audit will also be delayed. To mitigate this, officers are currently in the process of completing draft financial reports for 2017/18 in conjunction with supporting the audit for 2016/17. Council will also be submitting an application with the OLG for an extension on the deadline to lodge the 2017/18 financial reports.

Attachments

- 1 Draft Bayside Council 2016-17 General Purpose Financial Reports [↓](#)
- 2 Judgments and Assumptions for draft Bayside Council 2016-17 draft general financial reports [↓](#)

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Bayside Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 10 Sep 2016 to 30 June 2017



Bayside Council

General Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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2. Primary Financial Statements:	
– Income Statement	3
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4. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	
– On the Conduct of the Audit (Sect 417 [3])	

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Bayside Council.
- (ii) Bayside Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on dd/mm/yy. Council has the power to amend and reissue these financial statements.
-

Bayside Council

General Purpose Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements:

- present fairly the Council's operating result and financial position for the period 10 Sep 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on dd/mm/yy.

Councillor Bill Saravinovski
Mayor
Administrator/Mayor...(via parameters tab)

Councillor
Councillor

Meredith Wallace
General Manager

Matthew Walker
Responsible accounting officer

Bayside Council

Income Statement

for the period 10 Sep 2016 to 30 June 2017

\$ '000	Notes	Actual 10/9/16 to 30/6/17
Income from continuing operations		
<i>Revenue:</i>		
Rates and annual charges	3a	19,822
User charges and fees	3b	16,406
Interest and investment revenue	3c	6,754
Other revenues	3d	11,702
Grants and contributions provided for operating purposes	3e,f	19,144
Grants and contributions provided for capital purposes	3e,f	50,761
<i>Other income:</i>		
Net gains from the disposal of assets	5	347
Net share of interests in joint ventures and associates using the equity method	19	560
Total income from continuing operations		125,496
Expenses from continuing operations		
Employee benefits and on-costs	4a	52,534
Borrowing costs	4b	257
Materials and contracts	4c	34,169
Depreciation and amortisation	4d	16,655
Impairment	4d	-
Other expenses	4e	14,949
Total expenses from continuing operations		118,564
Operating result from continuing operations		6,932
Discontinued operations		
Net profit/(loss) from discontinued operations	24	-
Net operating result for the period		6,932
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	29	1,555,849
Net result for the period		1,562,781
Net operating result attributable to Council		1,562,781
Net operating result attributable to non-controlling interests		-
Net operating result for the period before grants and contributions provided for capital purposes		(43,829)

This statement should be read in conjunction with the accompanying notes.

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Bayside Council

Statement of Comprehensive Income
for the period 10 Sep 2016 to 30 June 2017

\$ '000	Notes	Actual 10/9/16 to 30/6/17
Net result for the year (as per Income Statement)		1,562,781
Other comprehensive income:		
Nil		
Total comprehensive income for the period		1,562,781
Total comprehensive income attributable to Council		1,562,781
Total comprehensive income attributable to non-controlling interests		-

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Bayside Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	51,200
Investments	6b	227,746
Receivables	7	14,289
Inventories	8	208
Other	8	685
Non-current assets classified as 'held for sale'	22	2,190
Total current assets		296,318
Non-current assets		
Investments	6b	55,388
Receivables	7	127
Infrastructure, property, plant and equipment	9	1,267,433
Investments accounted for using the equity method	19	4,401
Investment property	14	-
Intangible assets	25	3,487
Total non-current assets		1,330,836
TOTAL ASSETS		1,627,154
LIABILITIES		
Current liabilities		
Payables	10	28,733
Income received in advance	10	786
Borrowings	10	1,101
Provisions	10	25,483
Total current liabilities		56,103
Non-current liabilities		
Payables	10	-
Borrowings	10	4,912
Provisions	10	3,360
Total non-current liabilities		8,272
TOTAL LIABILITIES		64,375
Net assets		1,562,779
EQUITY		
Retained earnings	20	1,562,779
Revaluation reserves	20	-
Other reserves	20	-
Council equity interest		1,562,779
Non-controlling equity interests		-
Total equity		1,562,779

This statement should be read in conjunction with the accompanying notes.

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Bayside Council

Statement of Changes in Equity for the period 10 Sep 2016 to 30 June 2017

10/9/16 to 30/6/17			Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
\$ '000	Notes	Retained earnings					
Opening balance		-	-	(2)	(2)	-	(2)
a. Correction of prior period errors	20 (c)	-	-	-	-	-	-
b. Changes in accounting policies (prior year effects)	20 (d)	(2)	-	2	-	-	-
Revised opening balance		(2)	-	-	(2)	-	(2)
c. Net result for the year		1,562,781	-	-	1,562,781	-	1,562,781
d. Other comprehensive income							
Nil							
Total comprehensive income (c&d)		1,562,781	-	-	1,562,781	-	1,562,781
Equity – balance at end of the reporting period		1,562,779	-	-	1,562,779	-	1,562,779

This statement should be read in conjunction with the accompanying notes.

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Bayside Council

Statement of Cash Flows

for the period 10 Sep 2016 to 30 June 2017

\$ '000	Notes	Actual 10/9/16 to 30/6/17
Cash flows from operating activities		
<u>Receipts:</u>		
Rates and annual charges		66,910
User charges and fees		16,475
Investment and interest revenue received		6,520
Grants and contributions		71,677
Bonds, deposits and retention amounts received		1,534
Other		17,286
<u>Payments:</u>		
Employee benefits and on-costs		(52,808)
Materials and contracts		(40,022)
Borrowing costs		(229)
Other		(15,586)
Net cash provided (or used in) operating activities	11b	<u>71,757</u>
Cash flows from investing activities		
<u>Receipts:</u>		
Sale of investment securities		93,381
Sale of real estate assets		12,566
Sale of infrastructure, property, plant and equipment		1,684
<u>Payments:</u>		
Purchase of investment securities		(231,963)
Purchase of infrastructure, property, plant and equipment		(32,265)
Net cash provided (or used in) investing activities		<u>(156,597)</u>
Cash flows from financing activities		
<u>Receipts:</u>		
Nil		
<u>Payments:</u>		
Repayment of borrowings and advances		(990)
Net cash flow provided (used in) financing activities		<u>(990)</u>
Net increase/(decrease) in cash and cash equivalents		(85,830)
Plus: cash and cash equivalents – beginning of year	11a	–
Plus: cash transferred on amalgamation of councils	29	137,030
Cash and cash equivalents – end of the year	11a	<u>51,200</u>
Additional Information:		
plus: Investments on hand – end of year	6b	283,134
Total cash, cash equivalents and investments		<u>334,334</u>

Please refer to Note 11 for additional cash flow information

This statement should be read in conjunction with the accompanying notes.

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Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

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n/a – not applicable

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The Local Government (Bayside) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of 2 former councils:

- Rockdale City Council
- City of Botany Bay Council

to Bayside Council as at 10 September 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Bayside Council, being 10 September 2016 and ending on 30 June 2017.

Future reporting periods will be from 1 July to 30 June of the relevant years.

Assets and liabilities of Former Rockdale City Council and Former City of Botany Bay have been recognised by the Bayside Council fair value

Bayside Council has as a result of a comprehensive revaluation recognised former councils' assets at their fair value] as at the date of transfer 10 September 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which

have had any material impact on reported financial position, performance or cash flows.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment and investment property.

(iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated tip remediation provisions.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was

expended on Council's operations during the current year.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

(ii) User charges and fees

User charges and fees (including parking fees and fines) are recognised as revenue when the service has been provided or when the penalty has been applied, whichever first occurs.

(iii) Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

(iv) Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

(v) Rent

Rental income is accounted for on a straight-line basis over the lease term.

(vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

(c) Principles of consolidation

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for

impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(j) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

Internally valued:

- Community land
- Land under roads

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment

- Office equipment 5 to 10 years
- Office furniture 10 to 20 years
- Computer equipment 4 years
- Vehicles 5 to 8 years
- Heavy plant/road making equipment 5 to 8 years
- Other plant and equipment 5 to 15 years

Other equipment

- Playground equipment 5 to 15 years
- Benches, seats etc. 10 to 20 years

Buildings

- Buildings: masonry 50 to 100 years
- Buildings: other 20 to 40 years

Stormwater assets

- Drains 80 to 100 years
- Culverts 50 to 80 years
- Flood control structures 80 to 100 years

Transportation assets

- Sealed roads: surface 20 to 35 years
- Sealed roads: structure 50 to 120 years
- Unsealed roads 20 years
- Bridge: concrete 100 years
- Bridge: other 50 years

- Road pavements 60 years
- Kerb, gutter and footpaths 40 years

Other infrastructure assets

- Bulk earthworks Infinite
- Swimming pools 50 years
- Other open space/ recreational assets 10 to 50 years
- Other infrastructure 50 years
- Library Assets 3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Council holds no investment properties.

(m) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(p) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(r) Land under roads

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

(u) Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

(v) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), "all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed".

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

(x) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

(y) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(z) Comparative figures

As new entity formed by Proclamation there are no comparatives disclosed in the 2016/17 financial reports for 2016/17.

(aa) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current and non-current)
	Actual 10/9/16 to 30/6/17	Actual 10/9/16 to 30/6/17	Actual 10/9/16 to 30/6/17	Actual 10/9/16 to 30/6/17	Actual 2017
Governance	–	5,470	(5,470)	–	–
Administration	11,626	28,414	(16,788)	11,944	787,327
Public order and safety	4,034	5,052	(1,018)	–	–
Health	739	717	22	–	–
Environment	21,047	28,198	(7,151)	105	88,756
Community services and education	12,441	3,864	8,577	10,698	–
Housing and community amenities	3,067	9,363	(6,296)	568	–
Recreation and culture	26,083	23,075	3,008	397	259,996
Mining, manufacturing and construction	14,643	2,382	12,261	–	–
Transport and communication	18,036	7,351	10,685	1,032	486,674
Economic affairs	4,755	4,678	77	–	–
Total functions and activities	116,471	118,564	(2,093)	24,744	1,622,753
Share of gains/(losses) in associates and joint ventures (using the equity method)	560	–	560	–	4,401
General purpose income ¹	8,465	–	8,465	3,217	–
Operating result from continuing operations	125,496	118,564	6,932	27,961	1,627,154

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 2(b). Council functions/activities – component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

GOVERNANCE

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care, child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential		189
Business		(1,107)
Total ordinary rates		(918)
Special rates		
Local area rates		13
Infrastructure levy		(1)
Total special rates		12
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services		20,620
Stormwater management services		(11)
Section 611 charges		119
Total annual charges		20,728
TOTAL RATES AND ANNUAL CHARGES		19,822

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)		922
Waste management services (non-rateable)		20
Total user charges		942
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67		467
Section 149 certificates (EPA Act)		311
Section 603 certificates		190
Town planning		49
Building consents and construction certificates		231
Building inspections		50
Development and planning consent fees		2,203
Health inspection and approvals fee		1,130
Other		45
Total fees and charges – statutory/regulatory		4,676
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Leaseback fees – Council vehicles		325
Library and art gallery		67
Parking fees		5
Restoration charges		1,841
Sundry sales		3
Swimming centres		463
Engineering inspections and other fees		126
Street furniture advertising fee		187
Permits and inspection fees		33
Design review panel		94
Advertising		510
Hire and usage fees		539
B/A school fees		478
Long Day Care		1,083
Golf course		267
Meals on wheels		125
Contract services		4,562
Other		80
Total fees and charges – other		10,788
TOTAL USER CHARGES AND FEES		16,406

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		362
– Interest earned on investments (interest and coupon payment income)		6,204
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)		188
TOTAL INTEREST AND INVESTMENT REVENUE		6,754
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		362
General Council cash and investments		3,525
Restricted investments/funds – external:		
Development contributions		
– Section 94		2,867
Total interest and investment revenue recognised		6,754
(d) Other revenues		
Rental income – other council properties		1,395
Ex gratia rates		2,279
Fines – parking		3,385
Fines – other		731
Legal fees recovery – other		193
Commissions and agency fees		3
Diesel rebate		32
Insurance claim recoveries		4
Sales – general		211
Other credit card service fee		58
Contract Rebates		2,766
Rental income – halls and community facilities		102
Rental income – parks and sporting facilities		259
Other		284
TOTAL OTHER REVENUE		11,702

Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	10/9/16 to 30/6/17 Operating	10/9/16 to 30/6/17 Capital
(e) Grants		
General purpose (untied)		
Financial assistance – general component	2,961	–
Pensioners' rates subsidies – general component	256	–
Total general purpose	3,217	–
Specific purpose		
Pensioners' rates subsidies:		
– Domestic waste management	105	–
Aged care	35	–
Community care	1,663	–
Heritage and cultural	38	–
Library	70	–
Library – per capita	289	–
Street lighting	568	–
Transport (roads to recovery)	–	–
Transport (other roads and bridges funding)	143	81
RTA roads and traffic	470	290
Other – road safety	–	48
New Council Implementation Funding	10,000	–
Stronger Communities Funding	1,000	9,000
Other	823	121
Total specific purpose	15,204	9,540
Total grants	18,421	9,540
Grant revenue is attributable to:		
– Commonwealth funding	5,020	–
– State funding	12,578	9,338
– Other funding	823	202
	18,421	9,540

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	10/9/16 to 30/6/17 Operating	10/9/16 to 30/6/17 Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 93F – contributions using planning agreements		–	250
S 94 – contributions towards amenities/services		–	34,473
S 94A – fixed development consent levies		–	5,994
Total developer contributions	17	–	40,717
Other contributions:			
Other		723	504
Total other contributions		723	504
Total contributions		723	41,221
TOTAL GRANTS AND CONTRIBUTIONS		19,144	50,761

\$ '000	Actual 10/9/16 to 30/6/17

(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the close of the previous reporting period (former Councils)	177,201
Add: grants and contributions recognised in the current period but not yet spent:	61,149
Less: grants and contributions recognised in a previous reporting period now spent:	(6,481)
Net increase (decrease) in restricted assets during the period	54,668
Unexpended and held as restricted assets	231,869
Comprising:	
– Specific purpose unexpended grants	20,095
– Developer contributions	211,774
	231,869

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		40,782
Travel expenses		34
Employee leave entitlements (ELE)		7,089
Superannuation		1,386
Superannuation – defined contribution plans		2,038
Superannuation – defined benefit plans		1,342
Workers' compensation insurance		1,819
Fringe benefit tax (FBT)		124
Training costs (other than salaries and wages)		268
Occupational health and safety		48
Other		38
Total employee costs		54,968
Less: capitalised costs		(2,434)
TOTAL EMPLOYEE COSTS EXPENSED		52,534
Number of 'full-time equivalent' employees (FTE) at year end		703
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans		229
Total interest bearing liability costs expensed		229
(ii) Other borrowing costs		
Interest applicable on interest free (and favourable) loans to Council		28
Total other borrowing costs		28
TOTAL BORROWING COSTS EXPENSED		257

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		4,173
Contractor and consultancy costs		27,609
Auditors remuneration ⁽¹⁾		509
Legal expenses:		
– Legal expenses: planning and development		947
– Legal expenses: other		738
Computer maintenance		1,684
Roads, parks and property maintenance		2,505
Recycling contract		2,013
Waste collection and disposal		13,485
Other		1
Total materials and contracts		53,664
Less: capitalised costs		(19,495)
TOTAL MATERIALS AND CONTRACTS		34,169
1. Auditor remuneration		
a. During the year, the following fees were incurred for services provided by the Auditor-General:		
(i) Audit and other assurance services		
– Audit and review of financial statements: Auditor-General		335
– Audit and review of financial statements: former City of Botany Bay Council		131
Remuneration for audit and other assurance services		466
Total Auditor-General remuneration		466
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:		
(i) Audit and other assurance services		
– Audit and review of financial statements: PWC (former Rockdale City Council)		43
Remuneration for audit and other assurance services		43
Total remuneration of other Council's Auditors		43
Total Auditor remuneration		509

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Plant and equipment		1,696
Office equipment		280
Furniture and fittings		109
Land improvements (depreciable)		457
Infrastructure:		
– Buildings – non-specialised		917
– Buildings – specialised		1,840
– Other structures		1,727
– Roads		5,965
– Bridges		60
– Footpaths		1,100
– Stormwater drainage		1,301
– Swimming pools		54
Other assets		
– Library books		577
– Other		–
Intangible assets	25	572
Total gross depreciation and amortisation costs		16,655
Less: capitalised costs		–
Total depreciation and amortisation costs		16,655
Impairment		
Nil		
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		16,655

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 10/9/16 to 30/6/17
(e) Other expenses		
Advertising		592
Bad and doubtful debts		152
Bank charges		84
Contributions/levies to other levels of government		64
– Department of planning levy		289
– Emergency services levy (includes FRNSW, SES, and RFS levies)		389
– NSW fire brigade levy		1,305
Councillor expenses – councillors' fees		8
Councillors' expenses (incl. mayor) – other (excluding fees above)		5
Donations, contributions and assistance to other organisations (Section 356)		612
Electricity and heating		984
Insurance		1,716
Postage		279
Printing and stationery		744
Street lighting		2,122
Subscriptions and publications		266
Telephone and communications		781
Food and beverages		430
Fees and charges		762
Property expenses		676
Motor vehicle expenses		1,680
External hire charges		356
Other		653
TOTAL OTHER EXPENSES		14,949

Note 5. Gains or losses from the disposal of assets

Plant and equipment		
Proceeds from disposal – plant and equipment		1,684
Less: carrying amount of plant and equipment assets sold/written off		(1,337)
Net gain/(loss) on disposal		347
Financial assets		
Proceeds from disposal/redemptions/maturities – financial assets		93,381
Less: carrying amount of financial assets sold/redeemed/matured		(93,381)
Net gain/(loss) on disposal		–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		347

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017
		Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		16,153	–
Cash-equivalent assets ¹			
– Deposits at call		35,047	–
Total cash and cash equivalents		51,200	–
Investments (Note 6b)			
– Long term deposits		227,746	–
– NCD's, FRN's (with maturities > 3 months)		–	55,388
Total investments		227,746	55,388
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		278,946	55,388
¹ Those investments where time to maturity (from date of purchase) is < 3 mths.			
Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:			
Cash and cash equivalents			
a. 'At fair value through the profit and loss'		51,200	–
Investments			
a. 'At fair value through the profit and loss'			
– 'Held for trading'		55,388	–
b. 'Held to maturity'		172,358	55,388
Investments		227,746	55,388

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2017	
	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	278,946	55,388
attributable to:		
External restrictions (refer below)	212,265	55,388
Internal restrictions (refer below)	50,250	–
Unrestricted	16,431	–
	278,946	55,388

10/9/16 to 30/6/17	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
\$ '000				

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(D)	175,064	42,319	(5,609)	211,774
Specific purpose unexpended grants	(F)	2,137	18,830	(872)	20,095
Domestic waste management	(G)	12,181	16,254	(19,923)	8,512
Stormwater management	(G)	2,878	986	(1,188)	2,676
Local area funds		12,759	738	(233)	13,264
Infrastructure levy reserve		7,229	5,460	(3,798)	8,891
Community safety levy		530	267	(238)	559
Mascot main street		701	–	–	701
Mascot parking rate		1,181	–	–	1,181
External restrictions – other		214,660	84,854	(31,861)	267,653
Total external restrictions		214,660	84,854	(31,861)	267,653

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

10/9/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Infrastructure replacement	100	–	–	100
Employees leave entitlement	6,154	–	(1,287)	4,867
Carry over works	–	142	–	142
Deposits, retentions and bonds	2,000	–	–	2,000
Plant and equipment	1,050	4,500	(525)	5,025
Office equipment and it reserve	2,059	370	(1,472)	957
Open space and s94 obligations	1,508	100	–	1,608
Public liability claims	346	–	–	346
Workers compensation	116	–	–	116
Council election	570	140	–	710
Strategic priorities	39,212	–	(15,264)	23,948
Street lighting hardware	597	–	(297)	300
Brighton bath amenities building	2,295	450	–	2,745
Arncliffe youth centre	2,970	–	–	2,970
Financial Assistance Grants in Advance	–	2,960	–	2,960
Contribution to Works	–	312	–	312
Asset replacement	200	–	–	200
Church Ave road widening	200	–	–	200
Domestic waste management	122	–	–	122
Mascot oval	80	–	–	80
O'Riordan St cables	210	–	–	210
Public works	224	–	–	224
Childrens Services	108	–	–	108
Total internal restrictions	60,121	8,974	(18,845)	50,250
TOTAL RESTRICTIONS	274,781	93,828	(50,706)	317,903

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		6,480	–
Interest and extra charges		876	–
User charges and fees		3,132	–
Accrued revenues			
– Interest on investments		1,289	–
– Other income accruals		1,268	–
Government grants and subsidies		476	–
Net GST receivable		1,472	–
Other debtors		14	127
Total		15,007	127
Less: provision for impairment			
Rates and annual charges		(89)	–
Interest and extra charges		(66)	–
User charges and fees		(111)	–
Other debtors		(452)	–
Total provision for impairment – receivables		(718)	–
TOTAL NET RECEIVABLES		14,289	127
Externally restricted receivables			
Domestic waste management		1,795	–
Parking (Mascot)		38	–
Stormwater management		121	–
– Local Area Rates		46	–
– Mascot Main Street		39	–
– Unexpended Grants		434	–
Total external restrictions		2,473	–
Internally restricted receivables			
Nil			
Unrestricted receivables		11,816	127
TOTAL NET RECEIVABLES		14,289	127

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Current	Non-current
(a) Inventories			
(i) Inventories at cost			
Stores and materials		184	–
Trading stock		24	–
Total inventories at cost		208	–
(ii) Inventories at net realisable value (NRV)			
Nil			
TOTAL INVENTORIES		208	–
(b) Other assets			
Prepayments		685	–
TOTAL OTHER ASSETS		685	–

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures

(a) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	IPP&E transferred from former Councils as at 10/9/2016			Asset movements during the reporting period					as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Tfrs from/to 'held for sale' category	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000											
Capital work in progress	2,337	–	2,337	6,923	586	–	–	–	9,846	–	9,846
Plant and equipment	13,478	5,272	8,201	3,931	–	(1,337)	(1,696)	–	14,967	5,868	9,099
Office equipment	1,455	498	957	93	–	–	(280)	–	1,547	777	770
Furniture and fittings	1,468	825	643	10	14	–	(109)	–	1,492	934	558
Land:											
– Operational land	324,333	–	324,333	–	–	–	–	(2,190)	322,143	–	322,143
– Community land	129,488	–	129,488	–	–	–	–	–	129,488	–	129,488
– Land under roads (post 30/6/08)	1,039	–	1,039	–	–	–	–	–	1,039	–	1,039
Land improvements – depreciable	27,392	7,790	19,602	644	–	–	(457)	–	28,036	8,247	19,789
Infrastructure:											
– Buildings – non-specialised	69,286	25,658	43,628	1,607	–	–	(917)	–	70,895	26,577	44,318
– Buildings – specialised	155,891	35,863	120,028	10,844	–	–	(1,840)	–	166,735	37,703	129,032
– Other structures	49,765	15,058	34,707	1,089	46	–	(1,727)	–	50,900	16,785	34,115
– Roads	483,587	117,287	366,300	2,829	–	–	(5,965)	–	486,415	123,251	363,164
– Bridges	7,332	841	6,491	–	–	–	(60)	–	7,332	901	6,431
– Footpaths	83,497	36,411	47,086	1,833	–	–	(1,100)	–	85,331	37,512	47,819
– Bulk earthworks (non-depreciable)	61,086	–	61,086	–	–	–	–	–	61,086	–	61,086
– Stormwater drainage	137,291	51,677	85,614	214	1,265	–	(1,301)	–	138,770	52,978	85,792
– Swimming pools	1,663	133	1,530	–	–	–	(54)	–	1,663	187	1,476
Other assets:											
– Library books	2,634	935	1,699	346	–	–	(577)	–	2,980	1,512	1,468
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,553,017	298,248	1,254,769	30,363	1,911	(1,337)	(16,083)	(2,190)	1,580,665	313,232	1,267,433

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	Actual 2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management Plant and equipment	2,580	1,532	1,048
Total DWM	2,580	1,532	1,048
TOTAL RESTRICTED I,PP&E	2,580	1,532	1,048

Note 9c. Infrastructure, property, plant and equipment – current year
impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		2,265	–
Accrued expenses:			
– Salaries and wages		943	–
– Other expenditure accruals		6,439	–
Security bonds, deposits and retentions		17,826	–
Builders service and plan first levy payable		348	–
Other		912	–
Total payables		28,733	–
Income received in advance			
Payments received in advance		786	–
Total income received in advance		786	–
Borrowings			
Loans – secured ¹		1,101	4,912
Total borrowings		1,101	4,912
Provisions			
Employee benefits:			
Annual leave		7,754	–
Sick leave		1,278	–
Long service leave		11,923	608
Gratuities		373	–
Sub-total – aggregate employee benefits		21,328	608
Public liability under excess		–	296
Onerous Contracts		1,211	2,456
Settlement and legal costs		2,307	–
Other		637	–
Total provisions		25,483	3,360
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		56,103	8,272

(i) Liabilities relating to restricted assets

There are no restricted assets (external or internal) applicable to the above liabilities.

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000

(ii) Current liabilities not anticipated to be settled within the next twelve months
Nil

Note 10b. Description of and movements in provisions

Class of provision	2016		10/9/16 to 30/6/17			Closing balance as at 30/6/17
	Opening balance (former Councils)	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	8,222	1,145	(2,636)	1,315	(291)	7,755
Sick leave	1,565	–	(131)	30	(186)	1,278
Long service leave	11,925	214	(1,345)	1,737	–	12,531
Gratuities	368	–	–	7	(3)	372
Onerous Contracts	4,339	276	(948)	–	–	3,667
Settlement and legal costs	2,398	291	(381)	–	–	2,308
Preparation of Financial Statements	1,925	–	(1,488)	–	–	437
Public Liability under excess	296	–	–	–	–	296
Other	–	200	–	–	–	200
TOTAL	31,038	2,125	(6,929)	3,089	(480)	28,843

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.
- c. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	51,200
Less bank overdraft	10	–
Balance as per the Statement of Cash Flows		51,200
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		6,932
Adjust for non-cash items:		
Depreciation and amortisation		16,655
Net losses/(gains) on disposal of assets		(347)
Non-cash capital grants and contributions		(1,265)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'		(188)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)		28
Share of net (profits) or losses of associates/joint ventures		(560)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables		47,571
Increase/(decrease) in provision for doubtful debts		153
Decrease/(increase) in inventories		166
Decrease/(increase) in other assets		1,488
Increase/(decrease) in payables		148
Increase/(decrease) in other accrued expenses payable		872
Increase/(decrease) in other liabilities		2,299
Increase/(decrease) in employee leave entitlements		(144)
Increase/(decrease) in other provisions		(2,051)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		71,757
(c) Non-cash investing and financing activities		
S94 contributions 'in kind'		1,265
Total non-cash investing and financing activities		1,265
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Amounts utilised as at balance date:		
– Bank overdraft facilities		890
– Credit cards/purchase cards		160
Total financing arrangements utilised		1,050
(ii) Secured loan liabilities		
Loans are secured by a mortgage over future years rate revenue only.		

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings		6,798
Plant and equipment		1,276
Infrastructure Works		16,791
Information Management		4,206
Other		258
Total commitments		29,329
These expenditures are payable as follows:		
Within the next year		–
Later than one year and not later than 5 years		25,479
Later than 5 years		3,850
Total payable		29,329
Sources for funding of capital commitments:		
Unrestricted general funds		29,329
Total sources of funding		29,329
Details of capital commitments		
Completion of Council's capital works program which has commenced.		
(b) Finance lease commitments		
Nil		
(c) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year		28
Later than one year and not later than 5 years		2
Total non-cancellable operating lease commitments		30
b. Non-cancellable operating leases include the following assets:		
Contingent rentals may be payable depending on the condition of items or usage during the lease term.		
Conditions relating to operating leases:		
– All operating lease agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		

Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 13a. Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Benchmark
Local government industry indicators – consolidated			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(44,924)	-61.00%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	73,640		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	54,496	43.81%	>60.00%
Total continuing operating revenue ⁽¹⁾	124,401		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	81,580	1.45x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	56,103		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	(28,012)	-22.46x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,247		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	7,201	9.68%	< 5% Metro
Rates, annual and extra charges collectible	74,401		<10% Rural
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	278,946	30.53	> 3 mths
Payments from cash flow of operating and financing activities	9,136	mths	

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

Note 15. Financial risk management

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on investment a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

10/9/16 to 30/6/17	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values	5,539	5,539	(5,539)	(5,539)
Possible impact of a 1% movement in interest rates	2,289	2,289	(2,289)	(2,289)
2016				
Possible impact of a 10% movement in market values	3,298	3,298	(3,298)	(3,298)
Possible impact of a 1% movement in interest rates	2,653	2,653	(2,653)	(2,653)

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

		2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %			
Current (not yet overdue)		47%	72%
Overdue		53%	28%
		100%	100%
(ii) Ageing of receivables – value			
Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	2,477	5,542
< 1 year overdue	0 – 30 days overdue	3,483	411
1 – 2 years overdue	31 – 60 days overdue	562	407
2 – 5 years overdue	61 – 90 days overdue	466	546
> 5 years overdue	> 91 days overdue	368	872
		7,356	7,778
(iii) Movement in provision for impairment of receivables			
			2017
Balance at the beginning of the year (former Councils)			565
+ new provisions recognised during the year			153
Balance at the end of the year			718

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
10/9/16 to 30/6/17									
Trade/other payables	17,826	10,907	–	–	–	–	–	28,733	28,733
Loans and advances	–	1,366	1,294	1,159	843	843	508	6,013	6,013
Total financial liabilities	17,826	12,273	1,294	1,159	843	843	508	34,746	34,746
2016									
Trade/other payables	16,292	4,056	–	–	–	–	–	20,348	25,842
Loans and advances	–	1,483	1,366	1,294	1,159	843	2,343	8,488	6,975
Total financial liabilities	16,292	5,539	1,366	1,294	1,159	843	2,343	28,836	32,817

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2017	
	Carrying value	Average interest rate
Trade/other payables	28,733	0.00%
Loans and advances – fixed interest rate	6,013	3.56%
	<u>34,746</u>	

Note 16. Material budget variations

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	5,550	238	–	98	–	–	5,886	–
Traffic facilities	34,905	2,147	–	603	(1,403)	–	36,252	–
Open space	68,441	17,348	–	1,135	(1,359)	–	85,560	6
Community facilities	14,086	2,104	–	233	(1,553)	–	14,870	–
Car parking	967	–	–	13	–	–	980	–
Drainage pollution control	2,512	285	–	34	–	–	2,831	(6)
Traffic and electricity facilities	120	–	–	–	–	–	120	–
Ramsgate commercial centre	1,437	19	–	19	–	–	1,475	–
Town centre program	3,420	825	–	50	–	–	4,295	–
Wolli creek	9,050	3,564	–	144	(1)	–	12,757	–
Bonar street precinct	4,497	15	1,265	60	–	–	4,572	–
Administration	8	17	–	–	(8)	–	17	–
Other	24,903	6,650	–	475	(353)	–	31,675	–
S94 contributions – under a plan	169,896	33,207	1,265	2,864	(4,677)	–	201,290	–
S94A levies – under a plan	3,131	5,995	–	–	(932)	–	8,194	–
Total S94 revenue under plans	173,027	39,202	1,265	2,864	(5,609)	–	209,484	–
S94 not under plans	11	–	–	–	–	–	11	–
S93F planning agreements	2,026	250	–	3	–	–	2,279	–
Total contributions	175,064	39,452	1,265	2,867	(5,609)	–	211,774	–

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN S94 (former Botany)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	5,550	238	–	98	–	–	5,886	–
Traffic facilities	33,996	1,389	–	597	(1,403)	–	34,579	–
Open space	30,879	5,769	–	589	(545)	–	36,692	–
Community facilities	9,054	1,577	–	164	(1,296)	–	9,499	–
Other	3,373	4,421	–	98	(8)	–	7,884	–
Total	82,852	13,394	–	1,546	(3,252)	–	94,540	–

CONTRIBUTION PLAN - MASCOT PRECINCT (former Botany)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	21,474	2,090	–	377	(345)	–	23,596	–
Total	21,474	2,090	–	377	(345)	–	23,596	–

CONTRIBUTION PLAN S94 PLAN 2016-2031 (former Botany)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	909	758	–	6	–	–	1,673	–
Open space	3,360	2,357	–	28	–	–	5,745	–
Community facilities	1,076	10	–	15	–	–	1,101	–
Other	56	139	–	–	–	–	195	–
Total	5,401	3,264	–	49	–	–	8,714	–

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Car Parking (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
West Arncliffe / Turrella Industrial	11	-	-	-	-	-	11	-
East Arncliffe Industrial Area	41	-	-	1	-	-	42	-
Rockdale - Industrial	1	-	-	-	-	-	1	-
Ramsgate Beach - Business	572	-	-	8	-	-	580	-
Bexley - Business	46	-	-	1	-	-	47	-
Kingsgrove - Business	9	-	-	-	-	-	9	-
Bexley North	84	-	-	1	-	-	85	-
Brighton - New	32	-	-	-	-	-	32	-
Rockdale - New	171	-	-	2	-	-	173	-
Total	967	-	-	13	-	-	980	-

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Drainage Pollution Control (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Wolli Creek	52	-	-	1	-	-	53	-
Bardwell Creek	62	-	-	1	-	-	63	-
Bonni Doon	67	-	-	1	-	-	68	-
Spring Street	85	-	-	1	-	-	86	-
Muddy Creek	183	-	-	2	-	-	185	-
Eve Street	36	-	-	-	-	-	36	-
Scarborough Ponds	28	-	-	-	-	-	28	-
Waradiel Creek	-	-	-	-	-	-	-	(6)
Bado-berong Creek	5	-	-	-	-	-	5	-
Goomun Creek	9	-	-	-	-	-	9	-
Whole of City	1,985	285	-	28	-	-	2,298	-
Total	2,512	285	-	34	-	-	2,831	(6)

Community facilities (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
General Community Facilities	3,623	34	-	48	-	-	3,705	-
Libraries	29	452	-	2	(257)	-	226	-
Child Care	304	31	-	4	-	-	339	-
Total	3,956	517	-	54	(257)	-	4,270	-

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Open space (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	34,202	9,217	-	518	(814)	-	43,123	6
Total	34,202	9,217	-	518	(814)	-	43,123	6

Traffic and Electricity Facilities (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Gertrude Street	120	-	-	-	-	-	120	-
Total	120	-	-	-	-	-	120	-

Ramsgate Commercial Centre (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Ramsgate	1,163	-	-	15	-	-	1,178	-
Sans Souci	274	19	-	4	-	-	297	-
Total	1,437	19	-	19	-	-	1,475	-

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Town Centre Program (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Arncliffe	145	37	-	2	-	-	184	-
Bexley	11	1	-	-	-	-	12	-
Bexley North	9	1	-	-	-	-	10	-
Brighton Le Sands	9	1	-	-	-	-	10	-
Kogarah	12	-	-	-	-	-	12	-
Rockdale	58	3	-	1	-	-	62	-
Sans Souci	73	2	-	1	-	-	76	-
Wolli Creek	2,280	631	-	34	-	-	2,945	-
City Wide	823	149	-	12	-	-	984	-
Total	3,420	825	-	50	-	-	4,295	-

Wolli Creek (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Flood and Stormwater Management	6,219	1,119	-	90	-	-	7,428	-
Roadworks, Traffic and Parking	955	1,869	-	25	(1)	-	2,848	-
Pedestrian / Cycle	1,776	375	-	26	-	-	2,177	-
Administration	100	201	-	3	-	-	304	-
Total	9,050	3,564	-	144	(1)	-	12,757	-

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Administration (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Whole of city (except Ramsgate)	8	17	-	-	(8)	-	17	-
Total	8	17	-	-	(8)	-	17	-

Bonar Street Precinct (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Administration	61	15	-	1	-	-	77	-
Local infrastructure	4,436	-	1,265	59	-	-	4,495	-
Total	4,497	15	1,265	60	-	-	4,572	-

S94A LEVIES – UNDER A PLAN

S94A (Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A Levies	3,131	680	-	40	(932)	-	2,919	-
Total	3,131	680	-	40	(932)	-	2,919	-

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES- UNDER A PLAN

S94A (Former City of Botany Bay Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A Levies	-	5,315	-	53	-	-	5,368	-
Total	-	5,315	-	53	-	-	5,368	-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

(Former Rockdale City Council)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Inter-allotment Drainage	11	-	-	-	-	-	11	-
Total	11	-	-	-	-	-	11	-

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER (former Rockdale)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A levies	3,131	-	-	-	-	-	3,131	-
Total	3,131	-	-	-	-	-	3,131	-

S94 CONTRIBUTIONS – NOT UNDER A PLAN

(former Rockdale)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Inter-allotment Drainage	11	-	-	-	-	-	11	-
Total	11	-	-	-	-	-	11	-

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contributions plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

(ii) CivicRisk Metro (formerly Metro Pool)

Council is a member of CivicRisk Metro, a joint venture of seven local councils in New South Wales.

It was established in 1990 to allow sharing of public liability and professional indemnity risks of its member councils.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to

the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) CivicRisk Mutual (formerly United Independent Pools (UIP))

Council is a member of CivicRisk Mutual, a joint venture, incorporated in July 2005 by CivicRisk West (formerly West Pool) and CivicRisk Metro (formerly Metro Pool).

CivicRisk Mutual "pools" the Industrial Special Risk, commercial motor property damage, Councillors' Directors' and Officers'/Statutory Liability and Fidelity Guarantee/Crime/Cyber risks of its 17 member Councils. It also undertakes various other activities, including running risk management forums and the bulk purchase of certain other insurances.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iv) StateCover Mutual Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

Bayside Council

Notes to the Financial Statements
for the period 10 September 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(v) Other guarantees

Council has the following contract performance limited bank guarantee to:

Sydney Airport Corporation Ltd (\$400K)

2. Other liabilities

(i) Onerous Contracts

The Council as part of Councils operations enters into contracts for the provisions of services. While some provision has been made in the accounts for Onerous Contracts, there is potential for further exposure to losses not already provided for.

(ii) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services. Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(iii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iv) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

(v) ICAC investigation Operation Ricco

ICAC's investigation of allegations of fraud and corruption identified significant weakness in the former City of Botany Bay Council's internal controls. The systemic nature of the breakdown in governance may result in liabilities relating to past decisions or actions which are unknown at reporting date.

There is also potential future expenses relating to the legal recovery actions which may not be fully recoverable.

ASSETS NOT RECOGNISED:

(i) Legal recoveries of fraud

Legal recovery actions are being progressed against persons for recovery of monies identified by the ICAC Operation Ricco and by Council as fraud against the former City of Botany Bay Council. Outcomes cannot be reliably measured at time of reporting resulting in a contingent asset relating to legal recoveries and insurance settlements.

(ii) Legal actions

Council has provided for some legal settlements but is currently defending these legal claims which are potential contingent assets if successful.

(iii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Bayside Council

Notes to the Financial Statements
for the period 10 September 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

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Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries) Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income Actual 10/9/16 to 30/6/17	Council's share of net assets Actual 2017
Joint ventures	560	4,401
Total	560	4,401

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017
Civic Risk Mutual (United Independent Pools)	Joint Venture	Equity Method	489
Civic Risk Mutual (Metropool)	Joint Venture	Equity Method	3,912
Total carrying amounts – material joint ventures and associates			4,401

(b) Details

Name of entity	Principal activity	Place of business
Civic Risk Mutual (United Independent Pools)	Liability insurance & risk management	Penrith, NSW
Civic Risk Mutual (Metropool)	Liability insurance & risk management	Penrith, NSW

(c) Relevant interests and fair values

Name of entity	Quoted fair value 2017	Interest in outputs 2017	Interest in ownership 2017	Proportion of voting power 2017
Civic Risk Mutual (United Independent Pools)	N/A	8%	8%	6%
Civic Risk Mutual (Metropool)	N/A	34%	34%	14%

(d) Summarised financial information for joint ventures and associates

	Civic Risk Mutual (United Independent Pools) 2017	Civic Risk Mutual (Metropool) 2017
Statement of financial position		
Current assets		
Cash and cash equivalents	506	28
Other current assets	6,239	5,738
Non-current assets	5,889	18,168
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	2,890	1,443
Other current liabilities	423	150
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	2,830	10,730
Net assets	6,491	11,611

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Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates (cont'd)	Civic Risk Mutual (United Independent Pools)	Civic Risk Mutual (Metropool)
	10/9/16 to 30/6/17	10/9/16 to 30/6/17
Reconciliation of the carrying amount		
Opening net assets (former Councils)	7,585	11,054
Profit/(loss) for the period	(796)	2,189
Other adjustments to equity	(298)	(1,632)
Closing net assets	6,491	11,611
Council's share of net assets (%)	7.5%	33.7%
Council's share of net assets (\$)	489	3,912
Statement of comprehensive income		
Income	8,302	2,781
Interest income	584	1,089
Other expenses	(9,682)	(1,681)
Profit/(loss) from continuing operations	(796)	2,189
Profit/(loss) for period	(796)	2,189
Total comprehensive income	(796)	2,189
Share of income – Council (%)	5.2%	27.5%
Profit/(loss) – Council (\$)	(41)	601
Total comprehensive income – Council (\$)	(41)	601

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

None.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017
(a) Retained earnings		
Movements in retained earnings were as follows:		
Balance at beginning of year (former Councils)		-
a. Changes in accounting policies (prior period effects)	20 (d)	(2)
b. Net result for the year		1,562,781
Balance at end of the reporting period		<u><u>1,562,779</u></u>

(b) Revaluation reserves

Council has no reportable equity reserves.

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Bayside Council

Notes to the Financial Statements
 for the period 10 Sep 2016 to 30 June 2017

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000	2017 Current	2017 Non-current
(i) Non-current assets and disposal group assets		
Non-current assets 'held for sale'		
Land	2,190	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	2,190	–
Assets 'held for sale' 2017		
\$ '000		
(ii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations		
Opening balance (former Councils)	–	–
Plus new transfers in:		
– Assets 'held for sale'		2,190
Closing balance of 'held for sale' non-current assets and operations	–	2,190

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is dd/mm/yy.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 24. Discontinued operations

\$ '000

Council has not classified any of its operations as 'discontinued'.

Note 25. Intangible assets

\$ '000	Actual 2017
Intangible assets represent identifiable non-monetary assets without physical substance.	
Intangible assets are as follows:	
Opening values (former Councils):	
Gross book value	4,588
Accumulated amortisation	(1,783)
Accumulated impairment	-
Net book value – opening balance (former Councils)	<u>2,805</u>
Movements for the year	
– Purchases	1,254
– Amortisation charges	(572)
Closing values:	
Gross book value (30/6)	5,842
Accumulated amortisation (30/6)	(2,355)
Accumulated impairment (30/6)	-
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	<u><u>3,487</u></u>

¹ The net book value of intangible assets represent:

– Software includes capitalised development costs being an internally generated intangible assets	3,487
	<u>3,487</u>

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
10/9/16 to 30/6/17					
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/17	–	55,388	–	55,388
Total financial assets		–	55,388	–	55,388
Financial liabilities					
Interest free loans	30/06/17	–	418	–	418
Total financial liabilities		–	418	–	418
Infrastructure, property, plant and equipment					
Work in progress	30/06/17	–	9,846	–	9,846
Operational land	10/09/16	–	322,143	–	322,143
Plant and equipment	30/06/17	–	–	9,099	9,099
Office equipment	30/06/17	–	–	770	770
Furniture and fittings	30/06/17	–	–	558	558
Library books	30/06/17	–	–	1,468	1,468
Community land	10/09/16	–	–	129,488	129,488
Land improvements	30/06/17	–	–	19,789	19,789
Buildings (non-specialised)	10/09/16	–	–	44,318	44,318
Buildings (specialised)	10/09/16	–	–	129,032	129,032
Other structures	30/06/17	–	–	34,115	34,115
Roads	10/09/16	–	–	363,164	363,164
Bridges	10/09/16	–	–	6,431	6,431
Footpaths	10/09/16	–	–	47,819	47,819
Bulk Earthworks	10/09/16	–	–	61,086	61,086
Stormwater Drainage	10/09/16	–	–	85,792	85,792
Land under roads	10/09/16	–	–	1,039	1,039
Swimming Pools	10/09/16	–	–	1,476	1,476
Total infrastructure, property, plant and equipment		–	331,989	935,444	1,267,433

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Bayside Council

Notes to the Financial Statements for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

10/9/16 to 30/6/17	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Land	10/09/16	-	2,190	-	2,190
Total NCA's classified as 'held for sale'		-	2,190	-	2,190

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
- 'Designated at fair value on initial recognition'		-	-	32,983	32,983
Total financial assets		-	-	32,983	32,983

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Infrastructure, property, plant and equipment					
Work in Progress		-	-	2,337	2,337
Operational Land		-	-	324,333	324,333
Plant & Equipment		-	-	8,201	8,201
Office Equipment		-	-	957	957
Furniture & Fittings		-	-	643	643
Library Books		-	-	1,699	1,699
Community Land		-	-	129,488	129,488
Land Improvements		-	-	19,602	19,602
Buildings (non-specialised)		-	-	43,628	43,628
Buildings (specialised)		-	-	120,028	120,028
Other Structures		-	-	34,707	34,707
Roads		-	-	366,300	366,300
Bridges		-	-	6,491	6,491
Footpaths		-	-	47,086	47,086
Bulk Earthworks		-	-	61,086	61,086
Stormwater Drainage		-	-	85,614	85,614
Land Under Roads		-	-	1,039	1,039
Swimming Pools		-	-	1,530	1,530
Total infrastructure, property, plant and equipment		-	-	1,254,769	1,254,769

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising Level 1, Level 2 and level 3 inputs are as follows:

Level 1 measurements

Financial assets

The Council's financial assets relates to its investments in short term deposits, held to maturity and floating rate notes linked to the relevant investment period's (mid) Bank Bill Swap rates (BBSW). Council receives indicative market valuation advice from the investment banks. The indicative valuations are based upon recent comparative market based evidence. The information included under 6(b) is considered sufficient to meet the Fair Value disclosures requirements hence additional information is not included under this note.

Level 2 measurements

Financial liabilities

Interest free loans

The Council's financial liabilities relate to interest free loans acquired in accordance with Local Government guidelines to fund infrastructure projects. The fair value of the financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar instruments, therefore placing the financial liabilities assets in Level 2. Valuation techniques remained the same for this reporting period.

Infrastructure, property, plant and equipment (IPPE)

Work in Progress (IPPE)

The Work in progress relating to IPPE assets are valued at cost in Council's books and reported at Fair Value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs therefore placing the IPPE WIP in Level 2.

Operational Land

The Council engages external, independent and qualified valuers to determine the fair value of the Council's Operational Land.

The fair value of Operational Land has been determined by referencing it to current prices in an active market for similar properties. Where such information is not available, current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences are considered. Appropriate adjustments are also made for the inherent features of the property such as fire-prone, flood zonings and usability of the land.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

Operational land assets are categorised as Level 2 as determined by the valuation report provided by APV Valuers & Asset Management. Valuation techniques remained the same for this reporting period.

Operational land was last revalued at 10 September 2016.

Non-current assets classified as 'held for sale'

The Council's non-current asset held for sale is an operational land that is fair valued by APV Valuers and Asset Management as at 10 September 2016. Contracts for exchange is being negotiated. Asset held for sale will be therefore revalued to market value/contract value on conclusion of the sales agreement.

Non-current assets held for sale is categorised as Level 2 as determined by the valuation report provided by APV Valuers & Asset Management. Valuation techniques remained the same for this reporting period.

Level 3 measurements

Plant & Equipment, Office Equipment, and Furniture & Fittings

This asset category includes:

Plant & Equipment – Motor Vehicles, trucks, mowers
Office Equipment – Computer equipment
Furniture & Fittings – Chairs, desks, cabinets, display systems.

These assets are valued at cost in Council's books and reported at Fair Value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

Library Books

This asset category comprises of assets such as library books, journals, magazines, CDs and DVDs.

The library books are reported at Fair Value in the notes however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life is based on internal factors which are unobservable in the market making it a level 3 asset. Valuation techniques remain the same for this reporting period.

Buildings – Specialised & Non- Specialised

The Council engages external, independent and qualified valuers to determine the fair value of the Council's buildings. Buildings were last revalued on 10 September 2016 and the fair values were determined by APV Valuers & Asset Management.

Gross Value of each building, which is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The valuation aspects are generally, but not limited to the location, size, condition, style and utility of the asset. Replacement cost, asset condition, remaining useful life and building components are some of the inputs used in fair value determination. The key unobservable input

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

being the rate square metre has been benchmarked to construction costs of similar properties across the industry.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Further details relating to the rate per square metre has been provided below.

Community Land

The Council engages the Valuer General of New South Wales to determine the fair value of the Council's Community Land.

The fair value for Community Land has been determined using an Unimproved Capital Value, derived from the Valuer General's valuation performed for rating purposes, and applying to the total area. Given the nature of Community land, comparable sales data is generally not available. As the Valuer General's valuation considers land in all zoning, average unit derived from Valuer General's valuation is considered the most practicable approach to valuing Community Land.

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Community land was last revalued at 1 July 2016.

Infrastructure assets

The Council engages external, independent and qualified valuers to determine the fair value of the Council's Infrastructure assets. All infrastructure assets were last revalued on 10 September 2016 and the fair values were determined by APV Valuers & Asset Management.

The key unobservable input to the valuation is the rate per square metre, for which, further details have been provided below.

Some infrastructure assets that are not valued by APV Valuers are performed internally by the Council's internal engineering team. The gross value of the infrastructure assets are determined by unit rate to total volume which is normally square metres, cubic metres or lineal metres.

The unit rates, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers via tenders, internal service providers and industry publications.

Roads

The system adopted has a hierarchical structure in which all Roads are identified by name and number. Each road was then subdivided into a number of sections based on length, geometry and change of structure or traffic. Some roads may have only one section. The components within the road sections are as follows.

- ❖ Road Pavement
 - Pavement Structure
 - Road Wearing Course

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

- ❖ Bridges & Culverts
- ❖ Footpaths
- ❖ Kerb & Gutter
- ❖ Bollards
- ❖ Retaining Walls
- ❖ Fences & Railings
- ❖ Seats
- ❖ Traffic Facilities
- ❖ Carpark
- ❖ Cycleway Path
 - Cycleway markings
- ❖ Street Furniture
 - Stainless steel bin covers
 - Tree guards
 - Planter box

Road Pavements, Footpaths, Cycleway and Kerb & Gutter were measured along the centre line and their corresponding width and condition were recorded. Similarly Traffic Facilities, Retaining Wall, Car park measured and determined area in square metres. Fence and Railing measured in linear metres. Street Furniture are considered as single items and valued as such.

Bollard assets are valued using condition and age based methodology. Bollards are categorised as to material type and are not componentised. Unit rates for steel bollard is \$180 each whilst a timber bollard is \$90 each. Unit rates are based on previous Rockdale valuation and other Council valuations.

Kerb and gutter assets are valued using condition and age based methodology. Kerb and gutter assets are categorised by their construction material and by the kerb type and are not componentised. Unit rates are based on other council valuations and previous Rockdale valuation. A common unit rate of \$180 per lineal metre has been applied across all material and kerb types.

Road pavement structure assets are valued using condition and age based methodology. Road pavements have been assigned a unit rate of \$75 per square metre. Pavement replacement costs are based on renewal practice consisting of removing approximately 50% of existing pavement layer and replacing it with structural asphalt. Unit rates are based primarily on recent construction rates used in Rockdale pavement renewal contracts. Unit rate has been expressed as a weighted average for all roads based on the proportion of local and regional roads which typically have different standards of pavement reconstruction to reflect the different usage. The methodology of determining the area of wearing course has changed since the 2010 valuation. This has resulted in an increase in wearing course by 19%.

Road wearing course assets are valued using condition and age based methodology. Road wearing surfaces have been assigned a unit rate of \$27 per square metre. Unit rates are based primarily on recent construction rates used in Rockdale pavement surfacing contracts. Unit rate has been expressed as a weighted average

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

for all roads based on the proportion of local and regional roads, which typically have different requirements for wearing surface to reflect different usage. The methodology of determining the area of wearing course has changed since 2010 asset valuation. This has resulted in an increase in wearing course area by approximately 9%.

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable.

Bridges

Bridges and culverts are valued using condition and age based methodology. Road bridges are not categorised whilst culverts are categorised as to type (box culverts and pipe culverts). Bridge and culvert renewals will typically be a full rebuild rather than replacement of individual components, therefore an overall replacement rate is appropriate. Bridge unit rates are \$3,969 per square metre of deck area. Culvert unit rates are \$2,028 per square metre of footprint (plan) area. Bridge unit rates is based on breakdown provided by other council valuations and compared to Rawlinson's Australian Construction Handbook overall rate information. Culvert unit rates is based on per metre rates from Rawlinson's Australian Construction Handbook and converted to an equivalent footprint plan area rate including allowances for ancillary work.

Footpaths

Footpath assets are valued using condition and age based methodology. Footpaths are categorised by their construction material. Footpath assets are not componentised.

Unit rates are based on previous Rockdale valuation and other council valuations. Unit rates based on other council valuations and compared to Rawlinson's Australian Construction Handbook 2015. Unit rates for asphalt \$50 per square metre, concrete \$100 per square metre and pavers \$95 per square metre.

Stormwater Drainage

Similar to the roads asset, drainage asset system has a hierarchical structure in which all the drainage catchments have components such as pipes, pits, channels, culverts etc. In addition, Stormwater Quality Improvement Devices (SQID) such as Gross Pollution Traps, Trash racks, Litter baskets, Litter nets, Booms etc. are recorded. Pipes, channels and box culverts are measured in linear metres and pits as an item,

Stormwater drain assets have been valued using an age-based methodology. Where applicable, actual costs for asset acquisition or work done are used to determine unit rates. When this information is not available local engineering knowledge and benchmark data contained in the NSW Reference Rates Manual (2014) has been applied.

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable.

Land Under Roads

Land Under Roads identified as roads constructed post 30/6/2008 has been valued based on Municipal Average Land Rate discounted by 90%. Council has elected to only recognise land under roads for new roads constructed after 30/6/2008.

The Council uses Local Government Area rateable land values provided by the NSW Valuer-General to determine the fair value of the Council's Land Under Roads (LUR) assets.

Bayside Council

Notes to the Financial Statements

for the period 10 September 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

The urban Average Rateable Value per hectare within each Local Government Area (LGA) is adjusted by an "open spaces ratio" to approximate fair value (unimproved and pre-subdivision land).

The urban Average Rateable Value by LGA is derived from data provided by the Valuer – General. Measurement of land area in situ under roads.

This assets class is categorised as Level 3 as some of the inputs mentioned above require significant professional judgement and are therefore unobservable.

Swimming Pools

Assets within this class are comprised of swimming pools and associated structures.

The valuation of the swimming pools using cost approach was conducted by APV Valuers and Asset Management on 10 September 2016. Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, asset condition and residual value.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Intangible assets

Intangible assets are measured initially at cost and amortised on a systematic basis over their useful lives. After initial recognition, the Council measures an intangible asset at cost less accumulated amortisation and impairment losses. Significant unobservable inputs considered in the assessment these assets remaining useful life, pattern of consumption, technological obsolescence and thus residual value.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Plant & Equipment	Office Equipment	Furniture & Fittings	Library Books	Total
Balance on transfer from former Councils	8,201	957	644	1,699	11,501
Purchases (GBV)	3,931	93	24	346	4,394
Disposals (WDV)	(1,337)	–	–	–	(1,337)
Depreciation and impairment	(1,697)	(280)	(109)	(577)	(2,663)
Closing balance – 30/6/17	9,098	770	559	1,468	11,895

	Community Land	Land Improvements	Buildings Non Specialised	Buildings Specialised	Total
Balance on transfer from former Councils	129,488	19,602	43,628	120,028	312,746
Purchases (GBV)	–	644	1,608	10,845	13,097
Depreciation and impairment	–	(457)	(917)	(1,840)	(3,214)
Closing balance – 30/6/17	129,488	19,789	44,319	129,033	322,629

	Other Structures	Roads	Bridges	Footpaths	Total
Balance on transfer from former Councils	34,706	366,300	6,491	47,086	454,583
Purchases (GBV)	1,135	2,829	–	1,833	5,797
Depreciation and impairment	(1,727)	(5,965)	(60)	(1,100)	(8,852)
Closing balance – 30/6/17	34,114	363,164	6,431	47,819	451,528

	Bulk Earthworks	Stormwater Drainage	Land Under Roads	Swimming Pools	Total
Balance on transfer from former Councils	61,086	85,613	1,039	1,530	149,268
Purchases (GBV)	–	1,479	–	–	1,479
Depreciation and impairment	–	(1,301)	–	(54)	(1,355)
Closing balance – 30/6/17	61,086	85,791	1,039	1,476	149,392

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

Nil

(5). Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

Compensation:	Actual 10/9/16 to 30/6/17
Short-term benefits	-
Post-employment benefits	-
Other long-term benefits	-
Termination benefits	-
Total	-

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Bayside Council

Notes to the Financial Statements
for the period 10 Sep 2016 to 30 June 2017

Note 29. Local Government amalgamation

\$ '000

Notes

The local government Bayside Proclamation ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils City of Botany Bay and Rockdale City Council to Bayside Council at 10 September 2016.

Gain on local government amalgamation

**Actual
10/9/16
to 30/6/17**

Assets and liabilities transferred from former councils	a	1,507,051
Accounting policy adjustments	b	48,798
		<u>1,555,849</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

Former Rockdale City Council
Former City of Botany Bay Council

have been recognised by the Council at both the carrying amount recorded by the former councils and fair value for major infrastructure assets and operating land asset classes.

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 10 September 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

	Former Botany Bay Council	Former Rockdale City Council	Gain on local government amalgamation
ASSETS			
Current assets			
Cash and cash equivalents	36,790	100,240	137,030
Investments	55,000	36,381	91,381
Receivables	23,102	51,284	74,386
Inventories	301	73	374
Other	563	1,483	2,046
Total current assets	115,756	189,461	305,217
Non-current assets			
Investments	34,883	18,100	52,983
Receivables	–	320	320
Inventories	–	–	–
Infrastructure, property, plant and equipment	378,786	875,983	1,254,769
Investments accounted for using the equity method	–	3,841	3,841
Investment property	–	–	–
Intangible assets	266	2,539	2,805
Other	–	127	127
Total non-current assets	413,935	900,910	1,314,845
TOTAL ASSETS	529,691	1,090,371	1,620,062
LIABILITIES			
Current liabilities			
Payables (excluding bank overdraft)	15,524	10,676	26,200
Income received in advance	–	–	–
Borrowings	–	990	990
Provisions	13,120	13,403	26,523
Total current liabilities	28,644	25,069	53,713
Non-current liabilities			
Payables	–	–	–
Borrowings	–	5,985	5,985
Provisions	3,744	771	4,515
Total non-current liabilities	3,744	6,756	10,500
TOTAL LIABILITIES	32,388	31,825	64,213
Net assets transferred	497,303	1,058,546	1,555,849

Bayside Council

Notes to the Financial Statements

for the period 10 Sep 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

(ii) Adjustments between former council carrying amount of assets and fair values recognised

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

Adjustments made to recognise net assets at fair value	Actual 2017
Write off of assets – below capitalisation threshold	(20,924)
Write off of assets – not owned by Council	(21,625)
Recognition of assets not previously recorded	5,587
Changes in asset values due to valuation process	85,175
Changes in liabilities due to methodology changes	2,012
Other adjustments to assets of former Councils	(3,079)
Cash adjustment due to timing difference	165
Other (Changes in receivable FAG)	(743)
Other (Joint Venture assets not previously recognised in ledger)	2,230
Total adjustments	48,798

(iii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 10 September 2016 to 30 June 2017 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.

Agenda of Risk & Audit Committee - 27 September 2018

LAUREN THOMAS

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Background

Council prepares its financial reports in accordance with the Code of Accounting Practice and Financial Reporting (the Code), which incorporate the applicable accounting standards and is updated annually by the Office of Local Government (OLG).

In preparing the financial reports Council is required to make decisions around the application of accounting estimates and judgements to prepare its financial reports.

In Note 1 to the financial reports Council provides a summary of the significant accounting policies which it has applied in the preparation of its financial reports for the reporting period.

As the 2016/17 financial reports are the first reports for Bayside Council and are for an amended reporting period 10 September 2016 to 30 June 2017 specific amendments to accounting treatment for assets, liabilities, revenue, expenditure and other disclosures were required to be made and these are detailed below.

Gain on Amalgamation

The Local Government (Bayside) Proclamation 2016 under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former Rockdale City Council and City of Botany Bay Council to Bayside Council as at 10 September 2016.

Assets and liabilities of the former Councils have been recognised by Bayside Council at fair value and the net assets have been recognised as a gain on amalgamation in accordance with the required accounting standard AASB 1005 and the Code. Further details on the Gain on Amalgamation is disclosed in Note 29.

As there is no concept of owners' equity in local government accounting, there are no opening balances for assets, liabilities or equity for amalgamated councils. The opening balances for the assets and liabilities of the former Councils are processed with an offset entry to gain on amalgamation via the Income Statement for the period. This process also eliminates any previously recognised revaluation reserves held by the former council's.

Council utilised a combination of external and internal valuation processes in recognising assets at fair value. Details of the valuation process is included in the notes to the financial reports, in particular Notes 1 and 27. The following provides details on internal valuation estimates and judgements used in preparing the financial reports:

Community Land

Where available community land was valued using available Valuer General valuation. Where this was not available the average Valuer General valuation for community land valued by the Valuer General was applied to the land parcels.

Land under roads

Land under roads was valued using the englobo method as outlined in the Code, and this required the calculation of the average Valuer General rate for Bayside Council and then application of discount factors, of 65% for englobo value and 25% for access and carriageway rights and infrastructure, representing a total discount of 90%.

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment were not recognised by Bayside Council if they did not meet the applicable capitalisation thresholds. Consistent capitalisation thresholds were applied to

both former Council's asset registers as at 10 September 2016. Details on assets de-recognised are included in Note 29 to the draft financial reports.

Details of major asset classes capitalisation thresholds:

1. Asset Class	2. Value
3. Council owned Land	4. 100% Capitalised
5. Care and Control Land	6. 100% Capitalised
7. Land under roads (Acquired after 30/6/08)	8. 100% Capitalised
9. Plant & Equipment	10. >\$2,000
11. Office Equipment	12. >\$2,000
13. Office Furniture	14. >\$2,000
15. Building – construction / extensions	16. 100% Capitalised
17. Building – Refurbishment	18. >\$10,000
19. Land Improvements	20. >\$2,000
21. Other Structures	22. >\$2,000
23. Stormwater Assets	24. Determined on network basis
25. Roads	26. >\$10,000
27. Street Furniture	28. >\$10,000
29. Traffic Management Assets	30. >\$10,000
31. Footpaths , Kerb and Gutter	32. >\$10,000
33. Intangible Assets	34. Determined on system basis
35. Library Items	36. 100% Capitalised

Employee Leave Provisions

Bayside Council has applied discounted cash flow calculation in determining its Employee Leave Provisions. Conditions of employment were protected under the Proclamation of Bayside Council legislation and therefore employee leave provisions include consideration of any different employment conditions. Estimates were made on future earnings based on known award increases and estimated future increases based on forecasted wage increase percentage. Appropriate discount factors based on low risk investment yields including government bond rates.

Other Provisions

Bayside Council continued to make provisions for the onerous contract with Sydney Airport based on the accounting treatment required under AASB137 to make provision for future losses that arise from an onerous contract. Estimates are made on which rates to include in the required provision calculations.

Provisions were also made to enable recognition of ongoing matters relating to the former City of Botany Bay Council in particular for significant legal costs incurred by Bayside Council.

Council made provision for doubtful debts based on the assessment of each individual account and likelihood of recovery.

Deposits Bonds and Advances

The former City of Botany Bay Council held a number of Deposits for which no detailed listings could be provided and was holding an internal restricted cash and investment balance of \$2m to provide a source of funding against any claims on these funds. These deposits relate to previous systems used by the former City of Botany Bay Council and Bayside Council has maintained this restricted cash and investment balance.

Restricted Assets

Bayside Council has continued to maintain the same externally and internally restricted cash reserves. These reserves are being maintained as per the former Council's principles and some like reserves have been disclosed as a combined total.

Income and Expenditure

For the reporting period ending 30 June 2017, Bayside Council utilised two financial systems and one system that was replaced, two land information systems and two separate payroll systems. This has resulted in a complicated accounting process which also included the implementation of Technology One for Financial and Works & Assets which went live in December 2016.

Reviews of the transactional data for major corporate systems were completed and journals were processed to reallocate revenue and expenditure to improve the appropriate recognition and disclosure in financial reports. These corrections included, recognising revenue and expenditure transactions into separate accounts to ensure that no netting offsets were included, agency staff recognised as material and contract expense and correctly recognising regulatory and statutory functions appropriately.

Consistent recognition and disclosure of various revenue and expenditure was also applied for the consolidated financial reports for Bayside Council.

Further complicating the review was the number of transactional entries processed via general journals

Rates Revenue

Due to the application of AASB 1004 and mandated accounting treatment by OLG, rates revenue for 2016/17 was effectively recognised in the financial reports of the former councils modified reporting period for 2015/16.

Adjustments to rating treatments on properties were processed in the 2016/17 reporting period and this resulted in negative revenue being disclosed in the financial reports. This disclosure was discussed with the Audit Office and also the technical advisor to the OLG and is considered the appropriate accounting disclosure.

Depreciation

As part of the fair valuation process useful life of infrastructure, plant and equipment assets were assessed and applied consistently to the assets recognised by Bayside Council. As part of this process all useful life for common asset classes were aligned and depreciation was applied on the straight-line method for the reporting period.

Details of major asset classes' useful life:

37. Asset Class	38. Useful Life
39. Council owned Land	40. Infinite
41. Care and Control Land	42. Infinite
43. Land under roads (Acquired after 30/6/08)	44. Infinite
45. Plant & Equipment	46. 5 to 8 years
47. Office Equipment	48. 4 to 10 years
49. Office Furniture	50. 10 years
51. Buildings	52. 2 to 300 years
53. Land Improvements	54. 20 to 80 years
55. Other Structures	56. 8 to 80 years
57. Stormwater Assets	58. 64 to 97 years
59. Road Surface	60. 25 to 35 years
61. Road Base	62. 85 to 140 years
63. Street Furniture	64. 15 to 80 years
65. Traffic Management Assets	66. 30 to 114 years
67. Footpaths , Kerb and Gutter	68. 22 to 77 years
69. Intangible Assets	70. 2 to 10 years
71. Library Items	72. 5 years

Capitalisation of Employee Costs

Due to the issues encountered in capturing and recording capitalised employee costs consistently over the multiple accounting systems in operation an average capitalisation percentage (9%) to recognise project management costs was applied to capital projects in 2016-17.

Capitalisation of Other Expenses

All identified capital projects were subject to detailed review by the project manager and finance. Costs were allocated to either being valid capital expenditure and therefore capitalised as part of an asset cost or were retained in work in progress as project was not completed. Expenditure that did not meet the determination of being capital, was transferred to operating projects and recognised as operating expenditure.

All capitalised expenditure were subject to the appropriate threshold test as part of this process.

Risk & Audit Committee

27/09/2018

Item No	5.5
Subject	Health Checks - Progress Report
Report by	Bruce Cooke, Acting Manager Governance & Risk
File	SF17/2386

Summary

Work continues in completing the four health checks agreed to be completed as part of the Internal Audit Program 2017/18. This report and attachments provide details of the work to date and remains subject to internal audit verification.

Officer Recommendation

That the report be received and noted.

Background

A focus for Internal Audit during this transition period and in 2017/18 has been the development and implementation of a health check program for high risk areas across Council. Based on the then impending Operation Ricco report and some of the high risk outstanding audit recommendations, Internal Audit nominated the following four areas to participate in the health check process:

- 1 Procurement.
- 2 Payroll.
- 3 Management of employees' mandatory tickets, licenses and training.
- 4 External contractor management.

This report provides a summary of the work undertaken to date for these health checks with more detail provided in the attachments. Given the issues in the engagement of internal audit services during the Internal Auditor's leave from January 2018, a detailed internal audit verification has not occurred on the health checks, however, the acting Internal Auditor has provided initial comments.

The Executive Committee has reviewed the Health Checks, in particular the one focussed on Procurement.

Overview

Procurement

The status report outlines significant work that has been undertaken, including the areas of monitoring and education. The acting Internal Auditor has indicated that the Health Check report 'appears reasonable and consistent with the attached Checklist'.

The issues of non-compliance in the area of purchase orders are being addressed through managers' work plans as well as improvements to our corporate reporting.

Payroll

Both CHRIS 21 payroll systems from the former Councils have been migrated to the one iCHRIS payroll system, with accompanying automation, segregation of duties and improved business processes, as further described in the attached Health Check report.

Management of Employees' Mandatory Tickets, Licences and Training

All employees across all areas of Bayside Council are now trained in their areas of expertise and as per their skills and roles training requirements. All licences (e.g. drivers licence, first aid, white card etc), have been recorded, and copies filed in TRIM as official records. Refer to the full report for further detail.

External Contractor Management

Improvements to external contractor management have been outlined in a four staged project, as described in the attached Health Check report.

Attachments

- 1 Health Check - Procurement - Status Sept 2018 [↓](#)
- 2 Health Check - Contract Management - Status Sept 2018 [↓](#)
- 3 Health Check - Payroll - Status Sept 2018 [↓](#)
- 4 Health Check - Employee Licences - Sept 2018 [↓](#)

Health Check – Procurement

Current step number in process table: 7/8 (Audit Testing/Reporting Preparation)

Risk Level: **HIGH (possible downgrade)**

Progress on outstanding items from May 2018 report to Risk and Audit Committee

1 Non Compliance – Invoices being paid without a purchase order.

Direct invoice payments continue to be mitigated and channelled through the purchase order system. The discipline of No Purchase Order / No Payment is progressively being embedded with Accounts Payable and Procurement Teams referring back invoices that do not have a purchase order (with the exclusion of invoices that are permitted via direct payment such as Superannuation).

There is however a high level of non-compliance whereby Purchase Orders are being raised after the invoice is received. This is concerning as the pattern of non-compliance over the past 12mths does not appear to be decreasing. See table information below.

2017/18 - Purchase Order Compliance				
<i>Financial Yr. Quarter</i>	Q1	Q2	Q3	Q4
No POs Raised	2451	2702	2837	3278
No of Invoices paid after PO raised.	1554	1819	1874	2762

Note: The 2017/18 statistics do include exemptions to the procurement policy and process (e.g. unforeseeable emergencies). The procurement system is currently unable to report on the number of non-compliance with exemptions, however anecdotally the overall level of non-compliance with or without exemptions is still very concerning.

Action taken to address this issue

The Manager Procurement has been actively issuing the non-compliance statistics to the Leadership Group (Managers and Directors) requesting that compliance be improved.

The Executive Committee endorsed the introduction of Corporate Performance KPI's to be included in the Executive and Manager 2018/19 Performance Work Plans. The procurement KPI is:

- Compliance with Bayside Council's procurement policies, processes and guidelines.
 - Improvement from 2017-2018 baseline data
 - Between 1 January 2019 to end of June 2019, 95% compliance in raising purchase order before invoice is received.

Procurement will monitor and provide reports quarterly to the Leadership Group on these KPIs.

2 Tighter Controls in the TechOne Procurement System

As per the report tabled to the Risk and Audit Committee in May 2018, additional controls have been implemented in the TechOne system.

A TechOne post implementation review is in progress. Workshops are being held with key administrators and end users by a specialist consultant. A report with recommended improvements, controls and actions will be presented to the Executive Committee in September 2018.

Lastly, a review and update of the Procurement Procedure with internal controls will be finalised by end of September 2018. Any additional controls identified from this review will be implemented from October 2018 and reported to the Risk and Audit Committee.

3 Access to Budgets

Finance Business Partners are meeting regularly with Business Unit Managers (and teams) to review and discuss budgets.

TechnologyOne's Enterprise Budgeting module was launched during September 2018 which provides more transparency for staff to access, monitor and report on their budgets. Directors and Business Unit Managers are also able to request budget adjustments through this system.

STATUS ON PROCUREMENT HEALTH CHECK OBJECTIVES

The following information aligns with the Procurement Health Check List attached. It provides a summary on the status of the tasks associated with each Control Objective.

Control Objective 1: To ensure that all purchasing activities are supported by authorised and documented policies and procedures.

Only three points in this section are not yet complete. They relate to formal procurement guidelines.

Bayside adopted a Procurement Policy in July 2017. During the 2017/18 the Procurement Unit developed a series of smaller documents to support the policy including TechnologyOne user guides, tender opening procedures and procurement templates.

The completion of the formal Procurement Guideline is outstanding. It is in progress, however due to competing priorities and staff attrition, the completion time frame has been rescheduled to October 2018.

Control Objective 2: To ensure that purchases appropriately support the business objectives of the organisation.

One point remains in progress which refers Point 9 *Consequences for breach of policy is clearly communicated to all staff.*

The processes for significant breaches and alleged corruption are clear, however, performance management relating to non compliance practices such as raising a purchase order after the invoice is received needs to be further addressed. Refer to item 1 on previous page relating to Non-Compliance.

Control Objective 3: To ensure that the appropriate goods/services are obtained at the optimum price and at the relevant time.

Internal controls are in place relating to inventory management operating from Council's stores. The Inventory system records procurement, stock movements and controls.

Ordering of non-stock items is decentralised with staff placing orders and using the purchase order system within their delegations. It is therefore more challenging to prevent over ordering and ordering of goods and services that are non-stock.

The Procurement Unit continues to facilitate the building of staff capacity in procurement planning and analysis across the organisation to ensure business requirements are clearly defined so that under or over ordering of goods and services can be mitigated.

Control Objective 4: To ensure that all purchasing activity is valid, justified, authorised and within the prescribed budgets.

Most of the controls in this section are now in place.

Point 2 Purchase orders confirmed to be within agreed budget by purchase at point of commitment. Configuring this control in the TechOne system is currently being researched as part of the Techone Post implementation review.

This control in TechOne may not be possible in the short term. However, better expenditure monitoring and accountability will occur through the launch of the Enterprise Budgeting Module as well as improved Business Intelligence Dashboards and Reporting to be rolled out in the 2018/19 period.

Control Objective 5: To ensure that suppliers are reliable, financially stable and able to satisfy the organisation's purchasing demands.

Points 1-4 are in practice. Points 5-6 are in progress and will be assessed in further detail as part of the contractor management review project being implemented during 2018/19.

Control Objective 7: To ensure that supplier's trading terms and conditions are appropriate.

2 of the 3 points listed are applicable for Bayside.

Point 1 Processes in place to ensure that delivery requirements and cancellations are accurate, up to date and being complied with.

Delivery points and requirements are inserted into the Purchase Order at the time that it is raised. Cancellations of Purchase Order can occur, however a mandatory reason for cancellation is required. Reports on cancellations can be generated from the Technology One System and monitored by the Procurement Unit.

Ongoing education and training is being provided by the Procurement Unit reinforcing the importance of specifying delivery requirements on the Purchase Order and the email that is issued with the Purchase order to the supplier as well as the need for supervision of the delivery.

Risks occur when procurement activities do not go through the purchase order system and/or purchase orders are raised after an invoice has already been received.

Point 2 Suitable termination clauses in place to allow for contract arrangements to end where conditions of the contract are not met. Establishment of contracts and contract management is decentralised. A variety of contracts templates are used depending on the goods, services and/or works procured. An initial assessment of termination clauses in contracts used since amalgamation have confirmed that sufficient termination clauses are in place. Legacy contracts are being progressively addressed as they expire. Establishing a suite of standardised contracts for Bayside is a 2018/19 procurement project.

Control Objective 8: To ensure that purchasing activities comply with all the prevailing policies, legislation and regulations.

All points in this section are being applied at Bayside. Monitoring and reporting on compliance is occurring quarterly to the leadership group and as required across the organisation.

Control Objective 9: To ensure that all purchasing activity is correctly reflected in the organisation's stock control records and accounts.

Stock items at Bayside's designated stores are procured and managed by the City Works Business Unit using the TechnologyOne system. Internal controls are in place to monitor and report on stock movements.

Councils major classes of assets i.e. fleet, plant, buildings, roads, parks, open space, IT, Library and office furniture have asset registers in Council's TechnologyOne Asset Management System. Non-stock items (e.g. stationery, paper, milk) are procured and managed through a decentralised purchasing process. Staff with relevant delegations can purchase non-stock items utilising Council's purchase order system. These non-stock items do not form part of Council's TechnologyOne inventory management module. A process is in place that segregates duties between raising a purchase order for the goods, approving the order, receiving the goods, receipting the invoice and authorising the invoice.

Point 5 For goods purchased overseas, process in place to ensure that all the relevant import and foreign exchange regulations have been identified and correctly addressed? Bayside does not perform a lot of overseas purchases. However, it is an area that will be reviewed during 2018/19 to ensure clear processes and controls are in place to mitigate risks.

Control Objective 10: To ensure that overdue and late deliveries are progressed and appropriately recompensed.

3 points are applicable for Bayside. 2 points have been put into practice and 1 point is in progress. *Point 3 Penalty clauses/liquidated damages incorporated into service/supply contracts and enacted when necessary?* This is occurring on an adhoc basis, however, a more standardised approach will be investigated as part of the contractor management review project being implemented during 2018/19.

Control Objective 11: To ensure that supplier performance is adequately monitored and reacted to.

Supplier performance occurs to varying degrees across the organisation. It is an area that needs to be strengthened and improved. Contract performance management is included in the contractor management review project being implemented in 2018/19.

Reference is made to Control Objective 12: To ensure that management are provided with adequate, accurate and timely information on purchasing activities.

This is a developing and maturing area for Bayside.

During 2017/18 the Procurement Unit established Business Intelligence Dashboards (BI) and Reports in the TechOne system. However, more development and maturity of the BI and reports is required to fully address Health Check Control Objective No 12 and to better inform procurement planning and initiatives.

Business Analytics is a high priority project in 2018/19 for the City Performance Directorate which includes Procurement, Finance, Governance and IT.

Manager Procurement
7 September 2018

Internal audit comment:

The preceding report appears reasonable and consistent with the Checklist.

2018/19 Procurement Education Program:Established / Ongoing Initiatives

- a) Procurement Presentations provided as part of Staff Induction program
- b) Procurement Staff met with various business units in July & August 2018 to assist staff in setting up new purchase orders for the 18/19 financial year and provide training.
- c) Procurement Staff continue to partner and outreach to business units to provide support, facilitate procurement activities, educated staff and address compliance
- d) Establishment of a TechOne user focus group to share information, resolve user issues / challenges, seek feedback to enhance the system and provide further training.
- e) New Suppliers entered into our system receive a welcome email with all key information including Statement of Business Ethics, Procurement Policy, Standard Business Terms and Conditions and information about 'Doing Business with Council'
- f) Introductions and Inductions with new preferred supplier panels are also programmed to occur as they are established.
- g) Attendance to Procurement Networks including Local Government Procurement, SSROC, Procurement Australian and NSW Government Schemes.
- h) Bayside re-established Council procurement network meetings earlier in 2018. This network is expanding with Councils from the Sydney Basin attending. The network exchanges information, collectively discusses procurement challenges and discusses best practice in procurement.
- i) Information regularly distributed via email and staff newsletter

To Come:

- j) Reviewing and updating information for a re-launch of the Bayside Website and launch of Bayside's new intranet. **October 2018**
- k) On line learning modules on procurement topics to be established via the new learning system to be established by the Learning and Development Unit during 2018/19.
- l) Procurement Guidelines to be launched **October 2018**.
- m) Annual mail out to suppliers on Council's data base will occur **in early December**. Information includes reminder about 'Thank You is Enough' – No Gift Policy, Statement of Business Ethics and Information about 'Doing Business with Council'.

External Contractor Management

Status Update: September 2018

Risk Level: **High**

As discussed at the Risk and Audit Committee in May 2018, the scope and requirements to address the six (6) Control Objectives specific in the checklist (refer to attached) is larger and more complex than initially expected.

Since the meeting in May 2018, The Manager Procurement met with the Manager People and Organisational Culture and Council's Workers Compensation Insurer, State Cover to discuss progressing the project.

It was agreed that the project will have four (4) stages;

Stage	Deliverable	Time Frame	Control Objective addressed
One	Establishment of a centralised contracts register and administrative practices and controls to adequately maintain and report on contracts embedded.	2018/19	2- Vendor Selection 3- Contractor Set up 6- Analysis and reporting
Two	Establishment of a Governance Framework for Contractor Management which includes developing a Bayside Contractor Management Policy and supporting procedures.	2018/19	1- Policies and Procedures 2- Vendor Selection 5- Vendor Payment
Three	Revision and implementation of a standardised contractor induction program and management documentation and procedures.	2018/19	4- Work Execution
Four	Revision and implementation of a contractor performance framework, tools and practices.	2019/20	5- Performance Management 6- Analysis and Reporting

The status of stages 1-3 is summarised below;

Stage 1: Establishment of a centralised contracts register and embed administrative practices and controls to adequately maintain and report on contracts.

A centralised contracts register has been established and is being maintained and reported on by the Procurement Unit. The register is currently being maintained in a spreadsheet, however, it will be migrated to the TechnologyOne Contracts Module once the post-implementation review of the system is finalised. Timing of the migration will be in accordance with the post-implementation review action plan.

Contract Register Management procedures have been finalised. Education on the new procedures will occur during October 2018 with the aim to fully embed the procedures by the end of January 2019.

Stage 2: Establishment of a Governance Framework for Contractor Management which includes developing Bayside Contractor Management Policy and supporting procedures.

Work on this matter is due to commence by the end of 2018 and be finalised by end of June 2019.

Stage 3: Revision and implementation of a standardised contractor induction program and management documentation and procedures

Work has commenced on the the development of standardised templates in collaboration with State Cover . Some of the completed templates are currently being trialed in a few business units.

Completion of best practice systems, processes and standardised templates is due by the end of June 2018. This includes education and training all all key staff. Ongoing education and training will be included in Council's Learning and Development Program.

Work Health and Safety Due Diligence and Responsibilities training is being provided by State Cover during October and November 2018 to all Directors, Managers and Co-ordinators.

Content will include:

- Work Health and Safety responsibility, authority and accountability for Managers, Coordinators and Supervisors.
- Key Requirements under Work Health and Safety Legislation.
- Key roles as leaders in assisting Bayside Council to implement Work Health and Safety obligations.
- Offences and Penalties in failing to comply with Health and Safety Duties.
- Case study and self- assessment.

Internal audit comment:

The preceding report appears reasonable and consistent with the Checklist.

Health Check – Payroll

Current step number in process table: 7/8 (Audit Testing/Reporting Preparation)

Risk Level: **Medium**

Urgent issues identified in the Payroll health check:

- 1 Payroll is currently processed in separate CHRIS21 systems for each of the former Councils. The CHRIS 21 system used to process the former Botany Council payroll was configured for the Civica system. The cost codes for the Civica system do not align with cost codes required for import into TechOne. Finance is required to map transactions from Civica cost codes to the new TechOne cost codes and manually adjust in payroll file prior to importing into TechOne. The previous Civica works orders also contained details of cost dissection allocation. This dissection is currently done manually by Finance reconciling back to the paper timesheets. The manual adjustments and dissections are very time consuming and can be subject to human errors. These issues will be resolved once the project to consolidate CHRIS 21 systems as the new system will be configured for the TechOne cost codes.
- 2 Most of the controls within the Payroll process are manual controls and as a result, are reactive in nature and subject to human error. It is expected that the implementation of iChris would introduce more preventative and detective controls, and reduce the reliance on reactive controls.
- 3 There is no evidence of segregation of duties between the inputting, reviewing, reconciling, checking and paying of staff.
- 4 Accuracy of leave balances are unclear as the onus is on Managers to ensure that their staff have completed a leave form and it is submitted to payroll when leave is taken. The robustness of this process varies across the organisation and cannot be determined. It is internal audit's opinion that this is an important area to focus on as Council already has significant amount of leave liabilities it is working on reducing.
- 5 While leave benefits and entitlements are in line with the organisation's policy, the organisation currently operates under two different Awards for the former Councils. The application of these Awards to the staff from each former Council may not be applied as consistently or strictly across the organisation. This issue will be remediated once negotiations with the Union is completed and all staff have the same entitlements and benefits.
- 6 Changes to master data file are reviewed by the Transition Project Lead – People and Organisational Culture but a more robust checking and verification process should be applied, especially in regards to changes to bank account details. This would especially help to ensure that potential fraudulent activities are identified and investigated in a timely manner.

Action Plan In Progress:

1. There is currently a project underway, led by the Transition Project Lead – People and Organisational Culture, to consolidate the two Chris21 systems into an upgraded iChris system. The integration of these systems will allow for more automated controls to be introduced, more robust segregation of duties to be introduced, better reports to be produced, and more regular reporting to be undertaken. This will not only remove some

of the urgent issues identified but also strengthen the process in areas which are currently working well.

2. It would be ideal to review the systems, controls and processes in the iChris system against the payroll health check to ensure that all the necessary controls have been implemented and are working effectively and efficiently.
3. Moving forward, the Payroll Coordinator will review the "ADP" audit report, which show all Masterfile changes to employee details, on a weekly basis. Changes will be reconciled and checked against supporting documents to verify its validity and authenticity. Any suspicious or unauthorised changes will be investigated.

Update May 2018

Work has focused on implementing the new HR system iChris including a review of processes and controls. It is anticipated that iChris will go live from 1 July 2018.

Update September 2018

Payroll has now migrated both prior CHRIS21 systems to ICHRIS. This means that we can now run the General Ledger Interface to give to Finance which holds the same cost codes as TechOne, and will not require manual adjustments and or dissections.

iChris has been set up to automate all payroll processes that can be automated. We have eliminated some processes that in the past were manually actioned. For example, it now has been set up to accrue leave at half pay and to deduct leave at double pay when staff have requested to be paid Long Service Leave at double pay. In the past, payroll manually processed the payment, and then manually deducted the leave component.

The integration of the two legacy systems has allowed for more automated controls to be introduced. It has allowed us to automate some processes with a Wizard that takes you to the relevant screens that need to be populated when entering new staff. Reports are automatically generated to make it easier to review payroll calculations, which in turn should minimise errors.

With the implementation of iChris, we have also segregated duties, which allows the POC Partners to enter new starters and payroll to check the new starters. Payroll data entry for timesheets is entered between the payroll officers, and data entry is checked by different team members within the payroll team. Reconciliation of payroll is performed by the payroll Coordinator.

The onus still remains on Managers to ensure that their staff have completed appropriate leave requests. With iChris we can now run reports on a Weekly basis for Managers to verify leave taken. This will help reduce any possible leave taken, which may not have been recorded.

Changes to master data file are reviewed on a weekly basis by the Payroll Coordinator. Changes are reconciled and checked against supporting documents to verify validity and authenticity. Any suspicious or unauthorised changes will be investigated.

Manager People & Organisational Culture
6 September 2018

Internal audit comment

[The preceding progress report appears reasonable.](#) Acting Internal Auditor

Health Check – Employees’ Mandatory Licenses, Tickets and Training

Current step number in process table: 7/8 (Audit Testing/Reporting Preparation)

Risk Level: **High**

Urgent Issues identified in the Management of Employees’ Mandatory Licenses, Tickets and Training health check:

Previous Update

The primary issue identified with the above health check is the lack of an electronic system to manage employees’ mandatory licenses, tickets and training. Currently, the process is being managed manually resulting in:

- 1 Lack of clarity if all staff have the necessary licenses, tickets and training required for their positions.
- 2 Difficulty in monitoring and tracking expiry of these licenses, tickets and training.
- 3 Gaps in identifying, in a timely manner, staff who require refresher training for these licenses, tickets and training.
- 4 Inconsistency in collecting documentary evidence of training completed by staff.
- 5 Lags in communication to Team Leaders and/or Coordinators when their staff are not appropriately licensed or ticketed.

The above issues can begin to be resolved with the nomination, testing, implementation and roll-out of an electronic license, ticket and training system. The Manager POC, Coordinator Workplace Relations and the Coordinator Work Health and Safety is in the process of considering the available options and nominating a system. It is expected that the system will be Global Vision, with the system expected to go live by March 2018.

Update - Committee Meeting of 24 May 2018

A manual audit of all staff has been undertaken including taking copies of all licences (e.g. drivers licence, first aid, white card etc), recording the details, and filing copies in TRIM as official records.

The information gathered from the audit has identified gaps. This has resulted in extensive training and renewal of licences, including a record amount of first aid training for high risk areas such as outdoor workforce, childcare, library and sports & recreation functions.

There has been a delay in implementing Council’s harmonised HR system ie iChris and this is expected to Go-live on 1 July 2018. It is anticipate that the information already collated will then be entered into iChris. Global Vision has been selected as the reporting software which will integrate with iChris.

The revised timeframe is 31 October 2018.

Update – Committee September 2018

The manual audit of all staff and consultation has been completed and the gap analysis to identify all areas of employee training deficiencies regarding compliance concluded. All employees across all areas of Bayside Council are now trained in their areas of expertise and as per their skills and roles training requirements.

All licences (e.g. drivers licence, first aid, white card etc), have been recorded, and copies filed in TRIM as official records.

The Learning Management System “Express Train” in conjunction with iChris will be used as the data management system for recording all WHS and compliance related training.

Both the LMS and iChris contain all compliance training data, monitoring and tracking expiry dates of licencees, tickets and training, including refresher training. The LMS action work flow allows for team leaders, coordinators and the Safety and Wellness team to be automatically reminded when employees are due for recertification training for advance planning and scheduling.

The Injury Management System; LOGOSS is the injury management and reporting system that allows for the identification of corrective actions and recommendations relating to specific refresher training that may be required.

The Work Health and Safety Management System contains legislation and procedures relating to the training of employees, including training and education, and the method of safety communications in relation to compliance training.

Query- there is no comment on the Chris issue from the May report i.e. is it on track for 31 October? Have there been any developments.

Manager People & Organisational Culture
6 September 2018

Internal audit comment

The preceding progress report appears reasonable.

Acting Internal Auditor

Risk & Audit Committee

27/09/2018

Item No	5.6
Subject	General Manager Performance Agreement Policy
Report by	Kristina Forsberg, Manager People and Organisational Culture Bruce Cooke, Acting Manager Governance & Risk
File	F18/803

Summary

In conjunction with our response to the ICAC recommendations, a policy has been developed that outlines Council's proposed principles and process for the development of the General Manager's performance agreement and its review.

Officer Recommendation

That the attached General Manager's Performance Agreement Policy be endorsed.

Background

In conjunction with our response to the ICAC recommendation, a policy has been developed which outlines Council's proposed principles and process for the development of the General Manager's performance agreements and their review.

This policy has been developed jointly between People & Organisational Culture (POC) and Governance & Risk in order to facilitate the next and future reviews.

Following endorsement by the Risk & Audit Committee, it will be submitted to Council, with a view to it being adopted.

Attachments

General Manager's Performance Agreement Policy (Draft) [↓](#)



General Manager's Performance Agreement Policy

Date 17 September 2018

© Bayside Council

File: F18/803 Document: 18/104795
Policy Register: F16/951 Policy No.:
Class of document: Council Policy

Enquiries: Manager People & Organisational Culture



Telephone Interpreter Services - 131 450

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1 Introduction

1.1 Background

This policy outlines Council's adopted process for the development of the General Manager's performance agreement, and its review.

With regard to the review, it provides the framework for who will conduct the review, when the review is conducted and recommending the General Manager's remuneration increase in accordance with the General Manager's Contract and the NSW Local Government Act 1993. It incorporates good practice requirements recommended by the Office of Local Government and the Independent Commission Against Corruption (ICAC).

It ensures there is a performance monitoring process in place so that the General Manager has appropriate guidance and feedback from Council on performance expectations.

1.2 Definitions and Abbreviations

Office of Local Government (OLG) means the NSW Office of Local Government, Department of Premier and Cabinet and its successors.

the Act - the Local Government Act 1993 (NSW).

the Regulation - the Local Government (General) Regulation 2005 (NSW).

TRP - Total Remuneration Package (TRP).

Standard Contract – as referred in the Office of Local Government's (OLG) Guidelines for the Appointment and Oversight of General Managers (July 2011).

SOORT - Statutory and Other Officers Remuneration Tribunal (SOORT).

1.3 Policy statement

The purpose of this policy is to articulate the framework, delegation and responsibilities for the review of the General Manager's performance by the Council appointed Review Panel.

1.4 Scope of policy

The policy applies to the General Manager, Mayor, nominated Councillors and Manager People & Organisational Culture.

2 Performance Management Framework – (Part A)

2.1 Delegation to the Performance Review Panel

By adopting this policy, Bayside Council delegates to the Review Panel the authority to undertake performance assessments of the General Manager in accordance with this policy.

This delegation is to be exercised in accordance with the requirements of:

- The Local Government Act 1993

- The Local Government (General) Regulation 2005
- Any other relevant act, law or regulation
- Any relevant resolution or policy of Council.

This delegation is effective from the date of the Council resolution adopting this policy.

2.2 Review Panel Members

The Review Panel comprises the following Council officials:

- The Mayor
- The Deputy Mayor
- A councillor appointed by the Council
- A councillor selected by the General Manager

To ensure that the appointed councillor by the Council is not the same as the selected councillor by the General Manager, the General Manager nominates the councillor after The Council has appointed a councillor to the panel.

2.3 Training

Review Panel members may receive training to conduct a performance review of the General Manager prior to being required to conduct a Performance Review.

2.4 Appointment of Facilitator and Mediator

Manager People & Organisational Culture will facilitate the development of the agreement and of its review.

On agreement of the Review Panel and General Manager, the Manager People & Organisational Development may appoint an independent mediator to resolve any matters arising from the Performance Review that cannot be resolved by the Panel and the General Manager.

2.5 Timelines

The timeframes mentioned in this policy are consistent with the timeframes reflected in the standard contract.

3 Performance Agreement – (Part B)

3.1 Development of the Performance Agreement

The Performance Agreement is developed at the commencement of the Annual Performance Review Period in consultation with the Review Panel and the General Manager.

The Performance Agreement include clearly defined and measurable performance indicators, against which the General Manager's performance will be measured.

The Performance Agreement includes key indicators that measure how well the General Manager has met the Council's expectations with respect to:

- The five Key Performance Areas (KPA's) of Leadership, Collaboration, Advocacy, Compliance and Delivery.
- The Specific Strategic and Operational Objectives to be achieved during the review period.

The Performance Agreement is considered by Council in a closed meeting together with the outcomes of the previous Performance Review Period. It may be varied from time to time during the term of the Performance Agreement by agreement between the General Manager and the Review Panel, with such agreement not being to being unreasonably withheld.

Any Performance Agreement in place prior to the commencement of this Policy will continue to operate.

3.2 Link to Director's Performance Agreements

The General Manager will ensure that the Performance and Development Plans of the Directors:

- Align with the Performance Agreement;
- Support the achievement of the Council's expectations of the General Manager; and
- Include the relevant General Manager's Key Performance Areas and specific strategic and operational objectives expectations of the Directors are clearly articulated and reviewed.

3.3 Annual Performance Review

a Notification by General Manager.

At least 21 days prior to the Annual Performance Review due date, the General Manager will:

- Submit a self-assessment to the Facilitator; and
- Notify the elected Council that the Annual Performance Review is due.

b Assessment by elected Council

- The General Manager's self-assessment and a questionnaire relating to performance against the Performance Agreement is distributed to the Panel members by the Facilitator.
- Panel members, individually and independently, rate the performance of the General Manager against the Performance Agreement using the assessment scale outlined in it.

- Any extreme scores are discussed with the relevant Panel member and the Facilitator prior to inclusion in the Performance Review meeting.
 - The Facilitator receives and collate the assessments of the Panel members in preparation for the formal Performance Review meeting.
- c Review Panel will meet to:**
- Review a summary of the responses received from the Panel; and
 - Agree on development actions for the General Manager.
- d Review Panel meeting with General Manager**
- Council provides the General Manager at least 10 days' notice that a Performance Review meeting is to be conducted.
 - A meeting between the General Manager and the Review Panel will be held to discuss the Panel's rating and opportunities for future development of the General Manager. The meeting will:
 - Facilitate constructive dialogue about the General Manager's performance against all sections of the agreed performance agreement;
 - Identify any areas of concern and agreed actions to address those concerns; and
 - Ensure fairness, natural justice and the laws and principles of anti-discrimination are complied with.

3.4 Reporting

To General Manager

Within six weeks from the conclusion of the Performance Review, the Mayor prepares and sends to the General Manager a written statement that sets out:

- Council's conclusions about the General Manager's performance during the performance review period;
- Any proposal by Council to vary the performance criteria as a consequence of a performance review, and
- Any directions or recommendations made by Council to the General Manager in relation to the General Manager's future performance of the duties of the position.

To Council

The Review Panel reports the findings and recommendations of the Performance Review to a closed meeting of the elected Council as soon as practicable following the Performance Review. The submission of this report is not an opportunity to debate the results or re-enact the review.

4 Reward and Remuneration – (Part C)

4.1 Statutory and Other Officers Remuneration Tribunal Increases

An annual increase in the Total Remuneration Package (TRP) equivalent to the latest percentage increases in remuneration for senior executive officer holders as determined by the Statutory and Other Officers Remuneration Tribunal (SOORT) is available to the General Manager on each anniversary of the employment contract.

4.2 Discretionary Remuneration Increases

The Review Panel determines by consensus any changes to the General Manager's employment conditions, including remuneration adjustments (exclusive of SOORT increases).

The discretionary increases are detailed in the Rating Scale. The following three points, which supplement the criteria, provide a description of what performance would be demonstrated if it were being achieved:

- Five percentage increase. The General Manager 'exceeds performance expectations'. He / she exhibit high overall performance, substantially surpass all of his / hers key performance expectations and goals and will have exceeded expectations on the Key Performance Areas.
- Three percentage increase. Performance expectations of the General Manager 'exceeds requirements at times', consistently high quality of work and outcomes.
- One percentage increase: The General Manager 'meets performance expectations'.

Discretionary increases to the General Manager's TRP are:

- Conditional on performance being assessed by the Review Panel as being of better than satisfactory standard;
- Modest and in line with community expectations;
- Endorsed by resolution of the elected Council together with the reasons for the increase. The increase should be reported in percentage terms to a confidential meeting of Council; and
- In line with the Standard Contract.

5 Timeline for Review – (Part D)

The timeframes below are intended to be consistent with the timeframes reflected in the standard contract]

Month	Activity	Responsible
July	Notification to Council by General Manager.	General Manager

Month	Activity	Responsible
July	General Manager submits self-assessment to Facilitator.	General Manager
August	GM Self-Assessment and Performance Questionnaire is sent to Councillors and Mayor for independent rating.	Facilitator
August	Extreme scores discussed with individual Councillors.	Facilitator
August	Collate reviews.	Facilitator
August	Review Panel Meeting.	Facilitator / Panel
August	Schedule Performance Review with the GM and provide notice.	Facilitator
August	Conduct formal Performance Review Meeting with General Manager.	Facilitator / Panel
October	Report back to Council.	Mayor
October	Provide written report to GM.	Mayor

6 Roles and Responsibilities – (Part E)

6.1 Review Panel

The Review Panel is responsible for:

- Developing a Performance Agreement in consultation with the General Manager.
- Undertaking a performance assessment of the General Manager each year.
- The Manager People & Organisational Culture, be tasked with appointing a suitably qualified Facilitator in consultation with the General Manager.
- Determining the following in relation to the Performance Agreement:
 - A final list of projects to be included in the Performance Agreement; and
 - Any managerial or behavioural actions that they would like the General Manager to address during the review year.
- Recommending any discretionary increase to the General Manager's total remuneration package.

6.2 General Manager

The General Manager is responsible for:

- submitting a list of projects to the Review Panel (maximum of six) that she / he considers are of sufficient importance to warrant her / his personal attention in that year.
- preparing a Self-Assessment of her / his performance and providing it to the Facilitator at least 21 days prior to the annual Review Panel meetings.

6.3 Mayor

The Mayor is responsible for:

- Being a member of the Review Panel.
- Preparing and presenting a Report on progress of the Performance Agreement to Council following the annual review.
- Formally advising the General Manager, Facilitator and Review Panel of any decisions of Council

The Mayor may be assisted by the Manager People & Organisational Culture in administrative tasks.

6.4 The Elected Council

The elected Council is responsible for:

- Holding an election at the beginning of each term to elect one Councillor to participate in the Review Panel. If there is more than two nominees, Council elects the position from the nominees by open voting (show of hands) in accordance with clause 251 of the Local Government (General) Regulation 2005.

6.5 Manager People & Organisational Culture

As Facilitator, the Manager People & Organisational Culture is responsible for:

- Ensuring that the public interest is best served throughout the Performance Review Process, including ensuring reviews are conducted fairly and in accordance with principles of natural justice.
- Preparing and distributing a questionnaire relating to performance against the Performance Agreement for all Councillors and the General Manager four weeks prior to the Performance Review Due Date.
- Receiving the confidential completed questionnaires and compiling a summary report including the average rating for each performance area for the annual Review Panel meeting.

- Coordinating the annual Review Panel meeting.
- Updating the Performance Agreement to reflect any changes agreed at the annual review meeting including obtaining required signatures, assisting in drafting the report and formally providing any feedback to the General Manager.
- Coordinating the Performance Review Process including scheduling of all required meetings, sourcing appropriate options for appointment of a Facilitator, formal recording of all documentation and implementation of any changes required to the General Manager's Total Remuneration Package.
- Ensuring the Review Panel members receive appropriate Performance Management training including:
 - The provision of written information regarding performance management;
 - An outline of the Performance Review Process; and
 - Guidelines for both Review Panel members and the General Manager on how to manage the Performance Review Process from their perspectives.
 - Assisting the Mayor and/or Panel prepare any reports and other documentation.

7 Assessment Scale – (Part F)

7.1 The Rating Scale

The following rating scale will be used to assess the General Manager's performance:

Score	Rating
5	<p>Exceeds Expectations – Performance exceeds requirements at times, consistently high quality of work and outcomes.</p> <p>Significant Strength An outstanding display that brings credit to the General Manager and the organisation. Best practice – a model for others. Significantly exceeds expectations.</p>
4	<p>Area of Strength - Has a reputation for achieving in that area. Displays a consistent approach to performance. Recognised as an expert in that area.</p>
3	<p>Meets Expectations – Performance meets expected requirements. Area of Ability - Standards are constantly met and at times exceeded throughout the year. A valued, commendable achievement. Delivers what is expected of the General Manager on a consistent basis.</p>
2	<p>Some Improvement Required – Major requirements have been met, but expectations are not consistently delivered</p>

Score	Rating
1	Unsatisfactory – Important requirements have not been met, major shortcomings

For the purpose of calculation and increase in TRP (exclusive of SOORT) the General Manager's Performance Assessment from the Review Panel must be 3 and or greater than 3 on the rating scale as follows:

- Average rating of 3 - 1% increase in TRP
- Average rating of 4 - 3% increase in TRP
- Average rating of 5 - 5% increase in TRP.

8 Policy implementation

8.1 Policy responsibilities

The Manager People & Organisational Culture is responsible for this policy. The functions the Manager People & Organisational Culture will perform in relation to this policy are:

- Provide a point of contact about the meaning and application of the policy
- Update the policy when necessary to ensure it is current
- Implement communications, education and monitoring strategies
- Ensure policy is included on Council's policy register and record management system; and
- Investigate breaches and enforcing compliance.

The Manager People & Organisational Culture is responsible for the implementation, application and review of the policy across the organisation.

9 Document control

9.1 Review

This policy will be reviewed within 12 months of the new term of Council or more frequently in the event of any material changes in circumstances and/or legislation including regulations or the standard contract.

The Manager People & Organisational Culture may approve non-significant and/or minor editorial amendments that do not change the policy substance.

The Manager People & Organisational Culture will monitor the application of this policy in accordance with Council's four year delivery program and annual operational plans.

9.2 Approval

This policy is approved by Council.

9.3 Relevant Legislation and Guidelines

Local Government Act 1993 (NSW).

Local Government (General) Regulation 2005 (NSW).

Office of Local Government Guidelines for the Appointment and Oversight of General Managers.

9.4 Other Related documents

Nil.

9.5 Record Keeping, Confidentiality and Privacy

All documents created in relation to this policy will be kept in accordance with NSW State Records Act, Bayside Council's record management practice, Corporate Records Policy and NSW State Records Act 1998.

Members of the public can access Council's documents in accordance with Government Information Public Access (GIPA) Act 2009 (effective from 1 July 2010) and Privacy and Personal Information Protection Act (PPIPA) 1998.

9.6 Version history

Include the details of the original adoption / approval and subsequent changes. Version 1.0 is the initial adopted/approved version.

Version	Release Date	Author	Reason for Change
1.0	September 2018	Coordinator Governance	Original - New document