

## 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 22 November 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**

**22/11/2018**

Item No	4.1
Subject	<b>Minutes of the Risk &amp; Audit Committee Meeting - 27 September 2018</b>
Report by	Fausto Sut, Manager Governance and Risk
File	SC18/1277

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## **Officer Recommendation**

That the Minutes of the Risk & Audit Committee meeting held on 27 September 2018 be confirmed as a true record of proceedings.

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## **Present**

Jennifer Whitten, Independent External Member (Chair)  
Lewis Cook, Independent External Member (via teleconference)  
Catriona Barry, Independent External Member  
Barry Munns, Independent External Member  
Councillor Liz Barlow

## **Also Present**

Councillor Dorothy Rapisardi  
Meredith Wallace, General Manager  
Michael Mamo, Director City Performance  
Fausto Sut, Manager Governance & Risk  
Matthew Walker, Manager Finance  
Bobbi Mayne, Manager Procurement  
Natasha Balderston, Internal Auditor  
Stephen Walker, Performance Analyst - Office of Local Government  
David Nolan, Director Financial Audit Services - Audit Office of NSW  
Cate Trivers, Project Manager, Operation Ricochet  
Gina Nobrega, Governance Officer

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The Chairperson opened the meeting in the Pindari Room, Rockdale Town Hall at 6.37pm.

## **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:

Councillor Scott Morrissey  
Steve Kent, Acting Internal Auditor

## 3 Disclosures of Interest

There were no disclosures of interest.

## 4 Minutes of Previous Meetings

### 4.1 Minutes of the Risk & Audit Committee Meeting - 23 August 2018

#### Committee Recommendation

- 1 That the Minutes of the Risk & Audit Committee meeting held on 23 August 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
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
27/09/18 5.1	Provide status update against original plan including priorities, end dates and risk assessments for each identified processes and controls being undertaken.	Project Manager Operation Ricochet

27/09/18 5.2	A final report of TechOne Post Implementation Review Project and roadmap be presented to the Committee at a future meeting.	Manager Finance
27/09/18 5.5	Circulate a copy of the Procurement Health Check List and example of Procurement documents to the Committee.	Manager Procurement

## 5 Reports

### 5.1 Project Ricochet Update

#### Committee Recommendation

- 1 That the progress on implementation of the ICAC recommendations 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 be noted.
- 3 That the progress on the Business Process and Controls Framework, business process and internal control mapping be noted.

### 5.2 TechnologyOne Post Implementation Review Project

#### Committee Recommendation

That the project progress update be received and noted.

### 5.3 Draft Internal Audit Plan 2019-2022 - Progress Update

#### Committee Recommendation

- 1 That the Acting Internal Auditor's review of the existing draft Internal Audit Plan be received.
- 2 That the Revised Draft Internal Audit Plan dated 16 September 2018 be approved subject to further report outlining the delivery, plan, priorities and timeframes for 2018/19 Internal Audit Plan and future years.
- 3 That the initial audits be convened as planned.

#### **5.4 Draft 2016/17 Bayside Financial Statements**

##### **Committee Recommendation**

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

#### **5.5 Health Checks - Progress Report**

##### **Committee Recommendation**

That the report be received and noted.

#### **5.6 General Manager Performance Agreement Policy**

##### **Committee Recommendation**

That the General Manager's Performance Agreement Policy be endorsed.

### **6 General Business**

There was no General Business.

### **7 Next Meeting**

The next meeting will be held in the Pindari Room, Rockdale Town Hall, Level 1, 448 Princes Highway, Rockdale at 6:30 pm on Thursday, 22 November 2018.

The Chairperson closed the meeting at 9:09 pm.

### **Attachments**

Nil

## **Risk & Audit Committee**

**22/11/2018**

Item No	5.1
Subject	<b>Independent Review of the Audit &amp; Risk Committee</b>
Report by	Fausto Sut, Manager Governance and Risk
File	SF18/2272

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### **Summary**

The Institute of Internal Auditors was commissioned to undertake an independent review of the performance and operations of the Risk & Audit Committee. It has prepared a draft report for review and comment prior to finalising the matter.

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### **Officer Recommendation**

That the Risk & Audit Committee provides any feedback it deems appropriate for consideration in finalising the report.

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### **Background**

One of the ICAC recommendations concerned the assessment of the performance of the Risk & Audit Committee (RAC). As such, an external review was commissioned to evaluate the Committee's operations and performance. The attached report in draft has been submitted for feedback prior to the finalisation of the report.

The draft report concludes that Bayside Council RAC is comprised of well-credentialed members with a coherent plan to lift governance oversight. The view is that the RAC is operating effectively in a challenging environment, with opportunity for improvement that is understood and will take time. It provides its assessment of the RAC's maturity level and a roadmap for optimising performance and good practice recommendations.

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### **Attachments**

IIA-Australia Bayside Council Report v1.6 Nov2018 [↓](#)

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# Independent review of the Risk and Audit Committee at Bayside Council

Draft report version 1  
November 2018

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Throughout this report, the following rating scale has been used:	
Rating Scale	Assessment
General conformance with standards and good practice	
Partial conformance with standards and good practice	
Does not conform with standards and good practice	

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# Objectives and Scope



## Objectives

The objectives of the independent review at Bayside Council (Council) were to:

1. Assess the Risk & Audit Committee's (RAC) conformance against good practice, including:
  - 'Audit Committees – A Guide to Good Practice, 3<sup>rd</sup> edition' issued by AICD / AUASB / IIA–Australia.
  - NSW Local Government requirements for Audit Committees.
  - Relevant audit committee requirements of NSW Treasury 'Internal Audit and Risk Management Policy for the NSW Public Sector' (TPP 15–03).
2. Review whether RAC operations represent contemporary good practice.
3. Review RAC skills, knowledge and experience capability.
4. Desktop review of ICAC findings on the former City of Botany Bay Council Audit and Risk Committee, to develop learnings for the current Bayside Council Risk and RAC.

## Scope

The review scope was limited to the objectives. It considered the period since formation of the Bayside Council to October 2018.

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## Context



- Bayside Council is in a challenging situation, having to simultaneously address:
  - Recommendations from a damning and high profile Report by the ICAC on the operations of the former Botany Council.
  - A fundamental failure of processes and controls in areas of the operations of predecessor councils.
  - Amalgamation of two councils.
  - ICT systems integration on a significant scale across multiple systems.
  - The Audit Office of NSW taking over as the direct external auditor and addressing a previously unseen scale and range of financial statement qualification issues.

The scale of change and the extent of demands upon Council management are significant, in attempting to manage a broad reform agenda reform and also deliver business-as-usual for the newly launched Council.

- The RAC has similarly faced a challenging situation, and been mindful to develop its activities and contribution to governance in a way to sync with the current needs and realities of Council. This has necessarily involved the RAC in complex and long-running issues relating to financial statements (past and present) and the development of a sound control environment, prior to moving to development of risk management and internal audit capabilities.

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## Conclusion



- ❑ Council faces a a challenging situation, in which resolving issues from predecessor councils and building a sound operating and control environment for the new Council are the primary focus. This is absorbing most available management time and resources. The RAC situation is similarly challenging.
- ❑ The RAC is positioned to transition to an Audit Risk and Improvement Committee with broader scope as set out in unproclaimed sections of the NSW Local Government Act. Given the historical context for Council, it is suggested transition be considered before the end of Council's first term and before the mandatory implementation date in 2021.
- ❑ Council risk management, internal audit and compliance functions are currently at a formative stage, experiencing staffing difficulties and not yet actively contributing to governance. As such, the RAC does not yet have these assurance functions to draw upon in exercising its oversight role. Management has plans in place to progress these functions, recognising that they are essential components of governance for the new Council and the two-year anniversary of Council formation is approaching.
- ❑ We observed the RAC is well-regarded, seen as highly professional, and its views and insights are valued.

### Conclusion:

*Bayside Council Risk & Audit Committee is comprised of well-credentialed members with a coherent plan to lift governance oversight.*

*The RAC is operating effectively in a challenging environment, with opportunity for improvement that is understood and will take time.*

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## Key Stakeholder Discussions



Council / Risk & Audit Committee	
Jennifer Whitten	Independent Chair
Catriona Barry	Independent Member
Lewis Cook	Independent Member
Barry Munns	Independent Member
Liz Barlow	Councillor Member
Scott Morrissey	Councillor Member
General Manager	
Meredith Wallace	General Manager
Senior Management	
Michael Mamo	Director, City Performance
Fausto Sut	Manager, Governance and Risk
Matthew Walker	Manager, Finance
External Audit	
David Nolan	Financial Audit Director, Audit Office of NSW

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# Stakeholder Feedback – Key Stakeholder Discussions



## Stakeholder Comments

- ❑ RAC is highly professional and insightful.
- ❑ RAC is mindful of the context and current situation, and seeks to add value.
- ❑ RAC is somewhat held back from moving onto the full range of activities by the necessary focus on addressing the ICAC recommendations, and the extensive list of issues with the old financial statements.
- ❑ Management resources are largely absorbed by addressing the reform issues, external audit issues, amalgamation issues, system integration issues, and running business-as-usual. Moving on to build risk management and internal audit has been delayed by this, and impeded by staffing issues, but initial steps have been taken and plans are in place to progress.
- ❑ The situation with the previous financial statements is ongoing and absorbing significant resources for both Council and the Audit Office of NSW, to little purpose, as it will still lead to significant qualifications and / or disclaimers. The intention is to find a point where a line can be drawn, so the financials can move forward cleanly.
- ❑ With the new Council approaching two years, RAC is keen to move forward and embrace the full range of activities and responsibilities.

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# Stakeholder Feedback – Key Stakeholder Discussions

continued



## Areas for Reflection

- ❑ Consider developing a detailed strategy for the implementation and roll-out of risk management and internal audit, with a timetable and milestones to ensure it progresses at an acceptable rate in view of the many other competing priorities.
- ❑ Review resources for internal audit, in light of the context and external expectations. Perhaps benchmark to some other nearby amalgamated Councils such as Georges River or Cumberland.
- ❑ Consider more regular reporting to Council on RAC progress.
- ❑ Consider the number and range of Council officers attending RAC meetings, so as to develop a closer relationship, and limit officer attendance to their items only , except for non-voting officers defined in the RAC Charter.

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# Audit Committee Maturity Assessment



	Membership and Capability	Role and Responsibilities	Professional Practices	Performance and Accountability	Organisation Relationships	Governance and Reporting
<b>Optimising</b>	<ul style="list-style-type: none"> <li>➢ Membership (voting) comprises only experienced and well-credentialed non-executive members, chair and deputy chair.</li> <li>➢ Representative/s of the governing body (if applicable) as voting Members.</li> <li>➢ Members collectively have skills, experience, expertise and strategic nous matched to business activities.</li> <li>➢ Appointments staggered to ensure continuity and clear succession of leadership.</li> <li>➢ Blended induction process for new members (discussions, presentations, site visits, documentation).</li> <li>➢ <b>Cap on length of membership duration.</b></li> </ul>	<ul style="list-style-type: none"> <li>➢ Role and responsibilities well-defined in charter approved by governing body (if applicable) and chief executive officer.</li> <li>➢ Charter reviewed and updated annually.</li> <li>➢ Clear boundaries for coverage of related or subsidiary entities.</li> <li>➢ Role and responsibilities comprehensive, aligned to the organisational strategies; innovation and improvement ideals; emerging risks and business practices; and cover financial and non-financial operations.</li> <li>➢ Coverage of governance, risk and compliance frameworks</li> <li>➢ No executive or managerial powers.</li> </ul>	<ul style="list-style-type: none"> <li>➢ At least four meetings per year.</li> <li>➢ Attendance of close to 100% expected.</li> <li>➢ Comprehensive well-structured committee forward work plan.</li> <li>➢ Members operate collegially, underpinned by agility and independence of mind and practice.</li> <li>➢ Private meetings scheduled at least annually with head of internal audit without management present, complemented with periodic informal meetings with chair.</li> <li>➢ Private meetings at least annually with external auditor without management present.</li> <li>➢ Private meetings with executive managers / C-suite members without other management present.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Meeting minutes prepared and disseminated quickly.</li> <li>➢ Attendance is monitored.</li> <li>➢ Action items proactively followed-up and addressed promptly.</li> <li>➢ Accountability requirements defined in charter, including qualitative and quantitative performance measures.</li> <li>➢ Annual self-assessment by members.</li> <li>➢ Periodic, independent assessment of committee performance.</li> <li>➢ Committee models the values and desired culture of the entity through its behavior and messaging.</li> <li>➢ Activities are aligned to the strategic mission of the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Committee chair has open access to governing body chair (if applicable), and they meet regularly.</li> <li>➢ Committee chair has open access to chief executive officer, and they meet at pre-determined intervals.</li> <li>➢ Committee access to executive management encouraged.</li> <li>➢ Committee access to independent, expert advice.</li> <li>➢ Development of C-suite members provided incidentally through wisdom and counsel style of mentoring.</li> <li>➢ Acts as a strategic partner to offer strategic solutions.</li> <li>➢ Organisational awareness of committee's role through periodic staff publications.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Independence safeguards.</li> <li>➢ Conflict of interest procedure.</li> <li>➢ Committee has open access to organisation personnel.</li> <li>➢ Committee has dedicated secretarial resources provided who are trained and/or credentialed in the role.</li> <li>➢ Clearly articulated action items and important auditor recommendations are dealt with thoroughly.</li> <li>➢ Formal report on key issues from meetings delivered to governing body (if applicable) and chief executive officer after each meeting.</li> <li>➢ Annual report on committee outcomes delivered to governing body (if applicable) and chief executive officer.</li> </ul>
<b>Managed</b>	<ul style="list-style-type: none"> <li>➢ Membership (voting) comprises majority of non-executive members and chair.</li> <li>➢ Representative/s of the governing body (if applicable) as voting members.</li> <li>➢ <b>Members collectively have skills, experience and business acumen matched to organisation activities.</b></li> <li>➢ Structured process for staggering of appointments to ensure continuity.</li> <li>➢ Structured induction process for new members.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Role and responsibilities clearly and unambiguously defined in approved charter.</li> <li>➢ Charter reviewed and updated periodically.</li> <li>➢ Role and responsibilities included in charter, and are largely operational in nature.</li> <li>➢ Incidental coverage of governance, risk and compliance frameworks.</li> <li>➢ No executive or managerial powers.</li> </ul>	<ul style="list-style-type: none"> <li>➢ At least four meetings per year.</li> <li>➢ Quorum always achieved and maintained.</li> <li>➢ High-level committee forward work plan.</li> <li>➢ Committee members usually in agreement.</li> <li>➢ May be private meetings scheduled at least annually with head of internal audit and external auditor without management present.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Meeting minutes and attendance records kept.</li> <li>➢ Action items followed-up in a reasonable timeframe.</li> <li>➢ Accountability requirements defined in charter, including performance measures.</li> <li>➢ Annual self-assessment by members.</li> <li>➢ Committee aware of organisational values and desired culture.</li> <li>➢ Some strategic alignment.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Committee chair has open access to governing body chair (if applicable), and they meet periodically.</li> <li>➢ Committee chair has access to chief executive officer.</li> <li>➢ May be committee access to executive management.</li> <li>➢ Members of C-suite benefit from attending committee meetings.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Independence safeguards.</li> <li>➢ Conflict of interest procedure.</li> <li>➢ Committee has access to organisation personnel.</li> <li>➢ Committee has experienced secretarial resources provided.</li> <li>➢ Action items and recommendations are discussed.</li> <li>➢ Report on key issues from meetings delivered to governing body (if applicable) or chief executive officer at discretion of committee chair.</li> <li>➢ Periodic report prepared on committee activities.</li> </ul>

# Audit Committee Maturity Assessment

continued



	Membership and Capability	Role and Responsibilities	Professional Practices	Performance and Accountability	Organisation Relationships	Governance and Reporting
<b>Implemented</b>	<ul style="list-style-type: none"> <li>➢ Membership comprises independent members and independent chair.</li> <li>➢ Representative/s of the governing body (if applicable) as voting members.</li> <li>➢ Members collectively have skills and experience matched to organisation activities</li> <li>➢ Some staggering of appointments to ensure continuity.</li> <li>➢ Documentation-based induction process for new members.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Role and responsibilities clearly defined in charter, with a clear financial focus.</li> <li>➢ Charter may not be approved, or periodically reviewed and updated.</li> <li>➢ Incidental coverage of some elements of governance, risk and compliance.</li> </ul>	<ul style="list-style-type: none"> <li>➢ At least four meetings per year.</li> <li>➢ Quorum usually achieved.</li> <li>➢ Summary-level committee forward work plan.</li> <li>➢ Committee members can appear to be fixed in their ways.</li> <li>➢ May be ad hoc private meetings with head of internal audit and external auditor without management present.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Meeting minutes and attendance records kept.</li> <li>➢ Action items followed-up, may take some time.</li> <li>➢ Accountability requirements defined in Charter, including performance measures.</li> <li>➢ Annual self-assessment by members.</li> <li>➢ Focus on hard controls</li> <li>➢ Operational alignment.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Committee chair has open access to governing body chair (if applicable), and they meet occasionally.</li> <li>➢ Committee chair has access to chief executive officer.</li> <li>➢ May be committee access to executive management.</li> <li>➢ Members of C-suite see little benefit in attending committee meetings.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Independence safeguards</li> <li>➢ Conflict of interest procedure.</li> <li>➢ Committee has access to organisation personnel.</li> <li>➢ Committee secretariat resources provided.</li> <li>➢ Action items are considered</li> <li>➢ Report prepared on committee activities and emerging issues when requested.</li> </ul>
<b>Defined</b>	<ul style="list-style-type: none"> <li>➢ Membership comprises some independent members and chair.</li> <li>➢ Representative/s of the governing body (if applicable) as voting members.</li> <li>➢ Members predominantly have financial skills and experience.</li> <li>➢ Appointments are for same or similar terms.</li> <li>➢ Ad hoc induction process for new members.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Narrow role and responsibilities, loosely defined in a terms of reference.</li> <li>➢ Coverage is largely financial focused.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Meetings held on an ad hoc basis.</li> <li>➢ Quorum not monitored.</li> <li>➢ Narrow, low-level focus on matters for discussion.</li> <li>➢ May be a forward work plan, which may not be comprehensive.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Meeting minutes and attendance records may be kept.</li> <li>➢ Action items may be followed-up at some time.</li> <li>➢ Accountability requirements not defined in charter.</li> <li>➢ No performance measures or assessment process.</li> <li>➢ Financial controls focus.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Committee chair may have access to governing body chair (if applicable), and executive management.</li> <li>➢ Members of C-suite do not attend committee meetings.</li> </ul>	<ul style="list-style-type: none"> <li>➢ May be conflict of interest procedure.</li> <li>➢ Committee may have access to selected organisation personnel.</li> <li>➢ Limited secretariat resources provided.</li> </ul>
<b>Initial</b>	<ul style="list-style-type: none"> <li>➢ Membership might not include independent persons.</li> <li>➢ Membership may include internal members.</li> <li>➢ Independent members are a minority of full committee.</li> <li>➢ No meaningful induction process for new members.</li> </ul>	<ul style="list-style-type: none"> <li>➢ No committee charter.</li> <li>➢ Role and responsibilities not defined, but expected to be financial in nature.</li> <li>➢ Indeterminable executive or managerial powers.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Meeting schedule not set.</li> <li>➢ No quorum defined.</li> <li>➢ Minimal discussion, with focus on finishing the meeting quickly.</li> <li>➢ No forward work plan.</li> <li>➢ No private meetings.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Meeting minutes may be kept, perhaps not in a consistent manner.</li> <li>➢ Accountability requirements not defined in charter.</li> <li>➢ No performance measures or assessment process.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Committee chair has limited or no access to governing body chair (if applicable), and executive management.</li> <li>➢ Members of C-suite have no visibility of committee or its activities.</li> </ul>	<ul style="list-style-type: none"> <li>➢ No conflict of interest procedure.</li> <li>➢ Limited access to organisation personnel.</li> <li>➢ May be committee secretariat resources, which may be constrained by other duties.</li> </ul>

# Roadmap to maturity optimisation



Standard	Current Maturity Rating	Optimising Actions	Future Maturity Rating
<b>Membership and Capability</b>	Optimising / Managed	<ul style="list-style-type: none"> <li><input type="checkbox"/> Appointments staggered to ensure continuity and clear succession of leadership.</li> </ul>	Optimising
<b>Role and Responsibilities</b>	Defined	<ul style="list-style-type: none"> <li><input type="checkbox"/> Comprehensive role and responsibilities aligned to organisation strategies; innovation and improvement ideals; emerging risks and business practices; committee covers financial and non-financial operations.</li> <li><input type="checkbox"/> Coverage of governance, risk and compliance frameworks.</li> <li><input type="checkbox"/> Committee evolves to OLG model, addressing full range of responsibilities embodied in the NSW Local Government Act (when sections proclaimed).</li> </ul>	Optimising
<b>Professional Practices</b>	Defined	<ul style="list-style-type: none"> <li><input type="checkbox"/> Comprehensive well-structured committee forward work plan that aligns to charter responsibilities.</li> <li><input type="checkbox"/> Internal audit function is operational, resourced and effective.</li> <li><input type="checkbox"/> Risk management function is evolved to a stable maturity level.</li> <li><input type="checkbox"/> Internal audit plan aligns to risk register.</li> </ul>	Optimising
<b>Performance and Accountability</b>	Managed	<ul style="list-style-type: none"> <li><input type="checkbox"/> Accountability requirements defined in charter, including qualitative and quantitative performance measures.</li> <li><input type="checkbox"/> Annual self-assessment by members.</li> <li><input type="checkbox"/> Periodic, independent assessment of committee performance.</li> <li><input type="checkbox"/> Committee models the values and desired culture of the organisation through behavior and messaging.</li> </ul>	Optimising

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# Roadmap to maturity optimisation



Standard	Current Maturity Rating	Optimising Actions	Future Maturity Rating
<b>Organisation Relationships</b>	Managed	<ul style="list-style-type: none"> <li><input type="checkbox"/> Development of C-suite members provided incidentally through wisdom and counsel style of mentoring.</li> <li><input type="checkbox"/> Acts as a strategic partner to offer strategic solutions.</li> <li><input type="checkbox"/> Organisational awareness of committee role through periodic staff publications.</li> </ul>	Optimising
<b>Governance and Reporting</b>	Managed	<ul style="list-style-type: none"> <li><input type="checkbox"/> Formal report on key issues from meetings delivered after each meeting.</li> <li><input type="checkbox"/> Annual report on committee operations.</li> </ul>	Optimising

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# Assessment against the review objectives – Summary



Objectives		Assessment
1	Assess RAC conformance against good practice, including:	
1.1	'Audit Committees – A Guide to Good Practice, 3 <sup>rd</sup> edition' issued by AICD / AUASB / IIA–Australia.	Partially conforms
1.2 (a)	2010 NSW Local Government requirements for audit committees	Generally conforms
1.2 (b)	Local Government Amendment (Governance and Planning) Act 2016	Partially conforms
1.3	Relevant audit committee requirements of NSW Treasury 'Internal Audit and Risk Management Policy for the NSW Public Sector' (TPP 15–03).	Partially conforms
2	Review whether RAC operations represent contemporary good practice.	Partially conforms
3	Review RAC skills, knowledge and experience capability.	Generally conforms
4	Desktop review of ICAC findings on the former City of Botany Bay Council Audit and Risk Committee, to develop learnings for the current Bayside Council Audit Risk and Improvement Committee.	Partially conforms

Does not conform
Partially conforms
Generally conforms

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# Objective 1.1 – Assessment against good practice



We reviewed the RAC against attributes of effective audit committees outlined in the AUASB / AICD / IIA–Australia publication ‘Audit Committees – A Guide to Good Practice, 3rd edition’ (2017).

Attributes	Assessment
<b>Role of the Audit Committee</b>	
Responsibility areas include <input type="checkbox"/> Corporate and external financial reporting <input type="checkbox"/> External audit; Internal audit <input type="checkbox"/> Risk management and internal control <input type="checkbox"/> Compliance, Ethics and organisation culture <input type="checkbox"/> Fraud and corruption.	Yellow
The audit committee assists the agency head discharge their responsibilities.	Yellow
There is an audit committee charter.	Green
The audit committee is independent from management and free from undue influence.	Green
Audit committee members have no executive powers, management functions, or delegated financial responsibility.	Green
<b>Relevant regulatory requirements, standards and guidance</b>	
The audit committee has knowledge of relevant legislation and regulations, accounting standards, auditing standards, and other appropriate standards.	Green

Does not conform
Partially conforms
Generally conforms

# Objective 1.1 – Assessment against good practice



Attributes	Assessment
<b>Responsibilities of the Audit Committee</b>	
Responsibilities are defined in the audit committee charter.	Green
The audit committee charter is approved by the agency head and communicated to the organisation.	Green
The audit committee annual work plan is derived from the charter.	Red
The audit committee considers the organisation's overarching governance arrangements.	Green
The organisation's '3 lines of defence' has been defined.	Yellow
The audit committee has an understanding of all organisation assurance providers. Awareness of the type of assurance being issued. Nature of reporting within the organisation governance structures <input type="checkbox"/> Alignment between assurance and high-level risk exposures. <input type="checkbox"/> Consolidated risk and assurance profiles. <input type="checkbox"/> Reporting of assurance activities.	Red
Audit committee activities encompass Corporate reporting, including Financial Statements <input type="checkbox"/> Other external and regulatory reporting <input type="checkbox"/> External audit <input type="checkbox"/> Internal audit <input type="checkbox"/> Risk management and internal control <input type="checkbox"/> Fraud and corruption <input type="checkbox"/> Compliance <input type="checkbox"/> Ethics and organisational culture.	Yellow

Does not conform
Partially conforms
Generally conforms

# Objective 1.1 – Assessment against good practice



Attributes	Assessment
<b>Relationships</b>	
Parties that interact with the audit committee have been identified and the relationships clearly defined.	Green
<b>Developing an effective charter</b>	
The audit committee charter contains the key features for a charter.	Yellow
The audit committee charter is approved by the agency head.	Green
<b>Membership</b>	
Audit committee composition includes a balance of professional skills, knowledge, and technical expertise.	Green
Suitable individuals are selected for the audit committee.	Green
There is staggered appointments and succession planning.	Yellow
At least one member has financial expertise.	Green
Members are independent and free from any management.	Green
A suitable chair is appointed.	Green
There is an induction for new members.	Green
Ongoing training is provided to members.	Yellow

Does not conform
Partially conforms
Generally conforms

# Objective 1.1 – Assessment against good practice



Attributes	Assessment
<b>Conducting meetings</b>	
There is a regular meeting schedule.	Green
Meetings are structured and there is an annual work plan.	Yellow
There is regular attendance of members to meetings.	Green
<b>Reporting by the Audit Committee</b>	
The audit committee makes regular reports to the agency head.	Yellow
<b>Assessing performance</b>	
There is periodic assessment of audit committee performance.	Green
There is periodic evaluation of individual audit committee members.	Red

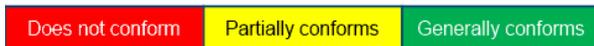
Does not conform	Partially conforms	Generally conforms
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# Objective 1.2 (a) – Conformance with 2010 OLG Guidelines



We assessed Council against the internal audit part of the NSW Local Government Internal Audit Guidelines issued in 2010.

Elements		Assessment
<b>4</b>	<b>Establishing an audit committee</b>	Overall
4.1	An audit committee is established.	
4.2	Independence and objectivity:	
	Selection and appointment of committee members.	
	Independent and councillor members.	
	Audit committee chair.	
4.3	Structure and membership	
4.4	Audit committee operations:	
	Meetings.	
	Functions.	
	Conflict of interests.	



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# Objective 1.2 (b)– Conformance with revised Local Government Act



We assessed Council against part 248A of the Local Government Amendment (Governance and Planning) Act 2016, noting this act has not yet been proclaimed and would not become mandatory until six months after the next Council election.

Elements		Assessment
<b>428A</b>	<b>Audit Risk and Improvement Committee</b>	Overall
428A(1)	An Audit Risk and Improvement Committee (ARIC) is established.	
428A(2)	ARIC coverage includes:	
	Compliance.	
	Risk Management.	
	Fraud Control.	
	Financial Management.	
	Governance.	
	Implementation of the strategic plan, delivery program and strategies.	
	Service Reviews.	
428A(3)	Committee is also to provide information to the council for the purpose of improving the Council's performance of its functions.	

Does not conform
Partially conforms
Generally conforms

# Objective 1.3 – Conformance with TPP15-03



We reviewed the RAC against relevant attributes of NSW Treasury ‘Internal Audit and Risk Management Policy for the NSW Public Sector’ TPP 15–03. Though not mandated for NSW local government, it does represent good practice and is a key input to NSW OLG as they prepare a new policy.

Core Requirements	Assessment
<b>Core Requirement 3.1 – An independent Audit and Risk Committee with appropriate expertise has been established.</b>	Overall
Audit and Risk Committee established.	
Number of members is 3 to 5.	
Members are independent.	
Independence safeguards in place.	
Members collectively develop, possess and maintain skills and knowledge appropriate to the organisation.	
Term of membership is 3 to 5 years, but no longer than total of 8 years.	
Appointment of chair not greater than 5 years.	

Does not conform   Partially conforms   Generally conforms

# Objective 1.3 – Conformance with TPP15-03 continued



Core Requirements	Assessment
<p><b>Core Requirement 3.2 – The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency’s governance processes, risk management and control frameworks, and its external accountability obligations.</b></p>	Overall
<p>Audit and Risk Committee provides independent assistance to the agency head by monitoring, reviewing and providing advice about the agency’s governance processes, risk management and control frameworks and its external accountability obligations.</p>	
<p>Responsibilities cover review and overview of:  <input type="checkbox"/> Internal controls <input type="checkbox"/> Risk management <input type="checkbox"/> Corruption and fraud prevention <input type="checkbox"/> External accountability (including Financial Statements) <input type="checkbox"/> Applicable laws and regulations <input type="checkbox"/> Internal audit <input type="checkbox"/> External audit.</p>	
<p>The Audit and Risk Committee overviews the agency’s financial information.</p>	
<p>The Audit and Risk Committee has no executive powers.</p>	
<p>The Audit and Risk Committee does not have delegated financial responsibility or any management functions</p>	

Does not conform
Partially conforms
Generally conforms

# Objective 1.3 – Conformance with TPP15-03 continued



Core Requirements	Assessment
<b>Core requirement 3.3 – The Audit and Risk Committee has a Charter that is consistent with the content of the ‘model charter’.</b>	Overall
The Audit and Risk Committee charter is consistent with the content of the model charter.	
The agency head has considered specific circumstances of the agency and may, where appropriate, include provisions additional to those set out in the model charter, providing these do not conflict with the model charter	
The charter has been approved by the agency head, and distributed to all members of the Audit and Risk Committee.	
The Audit and Risk Committee charter s formally reviewed at least annually by the Audit and Risk Committee, with recommendations for updates approved by the agency head <input type="checkbox"/> The Charter is sufficiently detailed to ensure there is no ambiguity. The Charter has clear guidance on key aspects of the committee’s operations.	
The Audit and Risk Committee meets at least quarterly.	
There is Secretariat support to the Audit and Risk Committee.	
Audit and Risk Committee meeting minutes are kept, containing record of attendance, issues, outcomes, including decisions, and action items.	

Does not conform
Partially conforms
Generally conforms

# Objective 1.3 – Conformance with TPP15-03 continued



Core Requirements	Assessment
<b>Core requirement 3.3 – The Audit and Risk Committee has a Charter that is consistent with the content of the ‘model charter’.</b>	Overall
The agency head attends Audit and Risk Committee meetings when available.	
In camera discussions are held.	
Meeting minutes are provided to the agency head in a reasonable time frame.	
The Audit and Risk Committee is promptly provided with all necessary and relevant information regarding their responsibilities and operations.	
The Audit and Risk Committee has access to operational and senior management.	
The Audit and Risk Committee can request operational and senior management attend Audit and Risk Committee meetings,.	
Where necessary, the Audit and Risk Committee has access to independent, expert advice.	
At least annually, the Audit and Risk Committee has access to internal audit and external audit without management present.	
The Audit and Risk Committee can seek can seek explanations and additional information from any employee or contractor of the agency.	

Does not conform
Partially conforms
Generally conforms

# Objective 1.3 – Conformance with TPP15-03 continued



Core Requirements	Assessment
<b>Core requirement 3.3 – The Audit and Risk Committee has a Charter that is consistent with the content of the ‘model charter’.</b>	Overall
Processes are in place to allow the Audit and Risk Committee, at any time, to report on any matters it deems of sufficient importance to do so.	
An individual Audit and Risk Committee member to request a meeting with the agency head.	
The Audit and Risk Committee maintains a direct reporting line to and from internal audit.	
At least annually, the Audit and Risk Committee reports to the agency head on its operation and activities during the year.	
Audit and Risk Committee members act in accordance with the relevant codes of conduct that apply to public sector employees.	
Where necessary, the Audit and Risk Committee dispute resolution process has been followed.	
At least annually, Audit and Risk Committee performance is reported as a whole and individually to the agency head.	

Does not conform
Partially conforms
Generally conforms

# Objectives 2 – 4



Objectives and commentary	Assessment
<b>Objective 2 – Review whether RAC operations represent contemporary good practice.</b>	
The operations of the RAC are at present limited, for reasons described in detail earlier in this report.	
<b>Objective 3 – Review RAC skills, knowledge and experience capability.</b>	
RAC independent members credentials are excellent, with their contribution clearly valued by stakeholders consulted for this review.	
<b>Objective 4 – Desktop review of ICAC findings on the former City of Botany Bay Council Audit and Risk Committee, to develop learnings for the current Bayside Council Audit Risk and Improvement Committee.</b>	
<b>ICAC recommendation 5</b> – That Bayside Council undertakes a risk assessment (including an assessment of fraud and corruption risks) to inform its internal audit plan.	
Risk management is developing maturity and risk registers have been created. A formal assessment of fraud and corruption risks has yet to be undertaken. An internal audit plan has not yet been implemented. A draft plan was recently prepared, but is not linked to the risk system and a separate high level risk assessment was used.	

Does not conform
Partially conforms
Generally conforms

# Objectives 2 – 4



Objectives and commentary	Assessment
<p><b>ICAC recommendation 6</b> – That Bayside Council ensures that its internal audit function operates independently from management by reporting functionally to its audit committee.</p>	
<p>An internal audit function has not yet been effectively established. Current arrangements are in transition.</p>	
<p><b>ICAC recommendation 7</b> – 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.</p>	
<p>An internal audit function has not yet been effectively established. Current arrangements are in transition.</p>	
<p><b>ICAC recommendation 8</b> – 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.</p>	
<p>This review serves that purpose. The RAC is currently limited in its ability to meet its charter responsibilities and to fully realise its potential to assist Council’s governing body.</p>	

Does not conform
Partially conforms
Generally conforms

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# Improvement Opportunities



## 1. Membership and Capability

### **Future RAC resourcing should be planned to maintain continuity and capability.**

The current RAC membership provides a suitable mix of skills and expertise and is well-regarded by Council.

Looking ahead, committee needs may change as its role evolves and as the Council risk profile transforms. When the end of a Member's term approaches, it is good practice for the committee to review the situation and balance three considerations:

- Relevance and value of continuity (reappointment).
- Performance of the Member.
- Balance of current committee skills and experience versus future needs.

It is also good practice to avoid having more than one member term expire simultaneously, as this generates excessive disruption. A forward schedule of staggered terms should be created, with appointment terms of varying lengths initially necessary to establish this pattern.

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# Improvement Opportunities continued



## 2. Role and Responsibilities

### **A plan and schedule should be developed for transition from a RAC to an ARIC**

Although requirements of the amended Local Government Act relating to audit committees has not been promulgated and do not become mandatory until 2021, many Councils have already moved to early adoption. This represents good practice and would be consistent with setting a high standard for governance and reputation for Bayside Council.

This would typically include modifying the charter to include:

- Comprehensive role and responsibilities aligned to organisation strategies; innovation and improvement ideals; emerging risks and business practices; committee covers financial and non-financial operations and information.
- Coverage of governance, risk and compliance frameworks.
- Addressing full range of responsibilities embodied in the NSW Local Government Act, including 'improvement'.
- Changing the title of the committee to Audit Risk and Improvement Committee (ARIC).

The move from RAC to ARIC requires planning and will place greater demands on management. It is suggested a staged approach be developed, with a view to having a fully functional ARIC in place before the end of the current Council term.

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# Improvement Opportunities



## 3. Professional Practices

### **A plan and schedule should be developed for implementing an internal audit function.**

The approach to building the control framework through the use of health checks with some validation was a practical response to the need to integrate two Councils, and to redress control gaps in operations of predecessor Councils.

However, the role of internal audit in assisting and validating these assessments has been impaired by staffing difficulties, as have attempts to establish an internal audit function.

Establishing an appropriately structured, qualified and resourced internal audit function, in line with the relevant International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA), would enable the RAC to exercise a major component of its charter.

Benchmarking against nearby merged councils such as Georges River or Cumberland may give some guidance regarding approaches and models for providing a fit-for-purpose internal audit function and what appropriate resourcing may be.

It is suggested Council consider developing a detailed strategy for the development and implementation of a full internal audit function, with a timetable and milestones to ensure it progresses at an acceptable rate in view of the many other competing priorities.

Decisions around insourcing, co-sourcing or outsourcing the internal audit function will need to be considered. The fastest initial method to get it established is usually to outsource internal audit perhaps for an initial 1–2 years, then for it be reviewed as to what resourcing model should be adopted in the longer-term.

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# Improvement Opportunities



## 3. Professional Practices *continued*

### **A plan and schedule should be developed for implementing enterprise risk management.**

Developing maturity of the risk management function will enable to RAC to contribute greater value through a focus on risk and outcomes for Council.

This will also allow internal audit to link its work to risk, adding further focus and value to internal audit activities.

As with internal audit, it is suggested Council consider developing a detailed strategy for full implementation and roll-out of risk management, with a timetable and milestones to ensure it progresses at an acceptable rate in view of other competing priorities.

Harmonising the two implementation strategies for internal audit and risk management is an important consideration.

### **The RAC should establish a forward meeting plan**

The current charter requires the RAC to establish a forward meeting plan which, in addition to establishing a schedule of meetings, “will cover all Committee responsibilities as detailed in the ... Charter”. This is sometimes called an audit committee work plan or forward agenda, and usually takes the form of a matrix. Such a plan will be even more important in the transition to an ARIC, as it sets out the wide range of responsibilities will be addressed over the year. It also provides a useful planning tool for management supporting the committee with advance preparation of materials for meetings.

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# Improvement Opportunities



## 4. Performance and Accountability

### Reviewing Performance

Like all activities, RAC performance should be regularly reviewed, with a view to ongoing evolution and improvement. This independent review gives effect to that principle.

In addition, now the Committee has been in place for a reasonable period, it would be appropriate to:

- Incorporate an annual self-assessment by Members and key stakeholders.
- Define a small set of targeted key performance measures (KPIs).

KPIs require some care, as they can be overly focused on activity (busy-ness) not outcomes, and can influence behavior of both management and an audit committee in unintended ways, such as creating more recommendations (in audit reports) and accepting recommendations prematurely.

In time, independent reviews should also be undertaken of the internal audit function and the risk management function.

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# Improvement Opportunities



## 5. Organisation Relationships

### Building rapport with management

Whilst audit committees exercise accountability and governance oversight roles for elected councils, good practice suggests they can also play a valuable role in:

- ❑ Development of C-suite management provided incidentally through wisdom, counsel and mentoring.
- ❑ Acting as a strategic partner to offer suggestions for strategic solutions.

While staff turnover in senior roles has made this difficult, it remains a feature RAC members are keen to pursue.

Feedback we received suggests it would be worthwhile considering the number and range of Council officers who attend RAC meetings, so as to develop closer relationships with key officers. Additional staff might perhaps attend for their items only, and only if they were speaking to an agenda item.

Another practice observed in other councils, which may be helpful for this purpose, is to convene a detailed briefing day for the RAC with all of Executives and Senior Managers. Each division of council is asked to develop a short presentation in which it outlines its objectives, key indicators of success, key risks in meeting its objectives, risk mitigations, and some context on the current state. Q&A follows, which assists the RAC to reach a deeper level of awareness of the business, risks, controls, and risk maturity. The investment of one-day can be a significant accelerator in building rapport and assisting the RAC to add greater value through heightened insight. Penrith Council could provide a reference on using this approach.

There may also be value in including reference to the RAC in relevant internal and external publications, to raise awareness of its role, purpose and activities.

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# Improvement Opportunities



## 6. Governance and Reporting

### **A strong and regular connection to the governing body is vital**

The presentation to Council by the RAC Chair on the role of the RAC on 15/11/2017 was comprehensive. It was well received, as reported by the Councillors we spoke to.

The value of the RAC to Council is especially important, in our view, during the formative years of Bayside Council, in view of the context for the history and inception of the Council. Current means of keeping Council briefed on the development and progress of the RAC, and its thoughts and views, is via the two Councillor Members on the RAC, and the formal minutes.

We observed the minutes are brief, given they are public documents, and would be unlikely to provide much meaning and insight to Councillors who were not in attendance at RAC meetings. Consideration could be given to enhancing the level of detail in the minutes. Where matters are sensitive, some committees recommend the minutes, or parts of them, be restricted to confidential sessions in council meetings.

The range and complexity of matters discussed at RAC meetings places a burden on the Councillor representatives in seeking to convey those matters back to their colleague Councillors. Consideration could be given to increasing the regularity and level of detail of formal reporting by the RAC to Council, especially during these early years. This could include presentations to Council by the RAC Chair.

The Charter requires a RAC annual report to Council on its operations and achievements, and also about internal audit. These have not yet been developed. We suggest the formal annual report be supplemented by at least an additional six-monthly oral report presentation from the RAC Chair to a Council briefing session, rather than a public meeting, to allow for greater detail and candour.

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# Glossary



Term	Definition
AICD	Australian Institute of Company Directors.
ARIC	Audit Risk and Improvement Committee.
Assurance	Assurance is a positive declaration intended to give confidence designed to improve the quality of information to aid informed decision-making.
AUASB	Auditing and Assurance Standards Board.
Council	Bayside Council.
C-Suite	An organisation's most senior executive management – CEO, COO, CFO, etc,
Fraud	Any illegal act characterised by deceit, concealment or violation of trust.
Governance	The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward achievement of its objectives.
ICAC	Independent Commission Against Corruption.
IIA	Institute of Internal Auditors.
Independence	The freedom from conditions that threaten the ability of the Internal Audit activity to carry out internal audit responsibilities in an unbiased manner.
IPPF	International Professional Practices Framework.
NSW	New South Wales.
OLG	Office of Local Government.
RAC	Risk & Audit Committee.
Risk	Risk occurs when we try to achieve objectives in an uncertain environment. It is usually measured in terms of likelihood and consequence.

# Audit Committee Delivery



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## 6 Pillars of 'Best in Class' Audit Committees



### Membership and Capability

- ❑ External chair and members; no internal members.
- ❑ Equipped to think and operate strategically.
- ❑ Limited term appointments which are staggered.
- ❑ Members collectively have skills and experience of the organisation's risk areas and business functions.
- ❑ One member is a financial statements expert.

### Role and Responsibilities

- ❑ Role (and boundaries with related entities) clearly defined.
- ❑ Defined responsibilities comprehensive and aligned to all strategic and risk areas – not limited to financial statements.
- ❑ Covers governance, risk and compliance frameworks.
- ❑ Attuned to emerging risk areas and business practices.
- ❑ Scope encourages innovation and improvement of practices.

### Professional Practices

- ❑ Written charter approved by the governing body; reviewed and updated annually.
- ❑ Clear independence of mind and practice.
- ❑ Positioning promotes independence and agility.
- ❑ Regular scheduled meetings with the governing body, chief executive officer, external auditor, and head of internal audit.

### Performance and Accountability

- ❑ Defined performance measures.
- ❑ Annual review of audit committee performance.
- ❑ Proactive approach that uses experience of members to improve organisation governance and performance.
- ❑ Models the values and desired culture of the entity.
- ❑ Aligned to strategic mission of the entity.
- ❑ Delivers annual report on outcomes to the governing body.

### Organisation Relationships

- ❑ Audit committee independence promoted.
- ❑ Access to the governing body, chief executive officer, and senior management.
- ❑ Wisdom and counsel provide mentoring to C-suite.
- ❑ Offers strategic solutions as a trusted partner.
- ❑ Audit committee promoted in entity-wide communications.

### Governance and Reporting

- ❑ Effective secretariat independent of management.
- ❑ Written and approved forward work plan, including comprehensive program of activities, which is reviewed and updated annually.
- ❑ Written minutes circulated promptly after meetings.
- ❑ Action items clearly articulated and followed-up.

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## About the Institute of Internal Auditors



The Institute of Internal Auditors (IIA) is the global professional association for Internal Auditors, with global headquarters in the USA and affiliated Institutes and Chapters throughout the world including Australia.

As the chief advocate of the Internal Audit profession, the IIA serves as the profession's international standard-setter, sole provider of globally accepted internal auditing certifications, and principal researcher and educator.

The IIA sets the bar for Internal Audit integrity and professionalism around the world with its 'International Professional Practices Framework' (IPPF), a collection of guidance that includes the 'International Standards for the Professional Practice of Internal Auditing' and the 'Code of Ethics'.

The IPPF provides a globally accepted rigorous basis for the operation of an Internal Audit function. Procedures for the mandatory provisions require public exposure and formal consideration of comments received from IIA members and also non-members. The standards development process is supervised by an independent body the IPPF Oversight Council of the IIA which is appointed by the IIA Board of Directors and comprises persons representing stakeholders such as boards, management, public and private sector auditors, regulators and government authorities, investors, international organisations, and members specifically selected by the IIA Board of Directors.

The IIA–Australia ensures its members and the profession as a whole are well-represented with decision-makers and influencers, and is extensively represented on a number of global committees and prominent working groups in Australia and abroad.

The IIA was established in 1941 and now has more than 180,000 members from 190 countries with hundreds of local area Chapters. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security.

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## Reviewer Biographies



### Stephen Horne

BBus, GradCertMgtComm, GradCertFraudControl, CertPublicAdmin, PFIIA, FGIA, CIA, GAICD, CGAP, CRMA, MIPAA

Stephen is a specialist adviser, consultant and trainer in the fields of probity, fraud control, risk, and governance.

Stephen had previously developed a career in internal audit, moving onto specialist management and strategy reviews. He joined the executive team of the NSW Audit Office in 1991 as a foundation member of its performance audit function, and became Assistant Auditor-General in 2004.

In 2006, he was appointed Managing Director and Chief Executive of IAB, a Government Trading Enterprise (\$16 million annual revenue) that successfully competed against the private sector as an outsourced provider of a wide range of improvement services including internal audit, management consulting and misconduct investigations. Stephen left IAB in 2015 after nine years, during which time its revenue more than doubled, with over 600 assignments undertaken annually.

Stephen's professional roles include:

- Current Chair of the IIA–Global Public Sector Guidance Committee.
- Current Chair of the National Public Sector Governance Committee of the Governance Institute of Australia.
- National President and Chairman of the Board of the Institute of Internal Auditors–Australia 2013–2105.
- Member of twelve Audit and Risk Committees across State Government and Local Government in NSW and Victoria.
- Global Board member of the Institute of Internal Auditors–Global.
- Member of the IIA–Global Governance Review Task Force.
- Member of the Governance Standards Working Group for Standards Australia.
- Co-ordinator for the Governance Award in the Australasian Annual Reports Awards.
- Past Chair of the NSW Premier's Awards for Annual Reporting.

Stephen co-founded the Corruption Prevention Network in 1994, and has been continuously involved ([www.corruptionprevention.net](http://www.corruptionprevention.net)). He was invited by the NSW Treasury to establish professional networks for internal audit, risk and finance professionals in the NSW public sector ([www.auditrisk.net.au](http://www.auditrisk.net.au) & [www.finacc.net.au](http://www.finacc.net.au)). Stephen was a finalist in the National Gov2.0 Innovation Awards in 2012 for his use of social media to improve public sector governance.

Stephen has undertaken international assignments for the United Nations, Global Fund, Asian Organisation of Supreme Audit Institutions, Asian Development Bank, and Department of Foreign Affairs and Trade Australian Aid Program.

He has worked in Australia, Switzerland, USA, and across the Pacific Region.

Stephen chaired the working group responsible for publishing the Standards Australia Handbook on Probity Advising and co-wrote the Handbook on Transparency and Disclosure. He has written better practice guides on Fraud Control and Governance, and has published articles on transparency, whistleblower protection, freedom of information, and governance. Stephen has a long history of speaking engagements and chairing roles for conferences and symposia, and has a number of video appearances on YouTube.

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## Reviewer Biographies continued



### Andrew Cox

MBA, MEC, GradDipSc, GradCertPA, DipBusAdmin, DipPubAdmin, AssDipAcctg, CertSQM, PFIIA, CIA, CISA, CFE, CGAP, CSQA, MACS Snr, MRMIA

Andrew Cox is a corporate governance professional with extensive experience in governance, audit and risk management. He has managed Internal Audit functions over his career including Senior Executive roles as National Manager of Internal Audit at Centrelink and Director of Risk Management Services for the Northern Territory Government.

He previously worked with the federal government of the United Arab Emirates, where he was Chief Operating and Project Director for a major capacity building project to develop external audit, implement performance audit, and put in place fraud control programs. He was responsible for the first performance audit in the UAE – 'Preventing and managing diabetes'.

He is considered a subject matter expert at 'auditing auditors' and has performed more than 150 Quality Assessments of Internal Audit functions in public sector and corporate organisations in Australia, Bahrain, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates.

He has worked in Australia, Afghanistan, Bahrain, Bangladesh, Fiji, France, Ghana, Indonesia, Iraq, Kuwait, Malaysia, Netherlands, New Zealand, Papua New Guinea, Qatar, Saudi Arabia, Uganda, United Arab Emirates, UK and USA.

Internationally he has worked for the Asian Development Bank, Commonwealth Secretariat, Department of Foreign Affairs and Trade Australian Aid Program, Irish Aid, UK Department for International Development, World Bank, Institute of Internal Auditors, and the federal government of the United Arab Emirates.

His clients have included Abu Dhabi Investment Authority, ActewAGL, ANZ Bank, Austrade, Australian Broadcasting Corporation, Australian National University, Australian Taxation Office, BHP Billiton, Department of Defence, Department of Human Services (Centrelink, Medicare), Department of Immigration, Dubai Investments, Energex, Hewlett Packard, Hydro Tasmania, Lockheed Martin, Lotterywest, National Blood Authority, Qatar Development Bank, Rio Tinto, Saudi Public Investment Fund, Saudi Telecom, Suncorp, Western Power and Woodside Energy.

He has made presentations on internal auditing in forums in Australia and internationally, and has taught internal auditing in Australia and other countries. He was formerly unit co-ordinator for postgraduate risk management at Murdoch University in Western Australia. He authored the IIA–Australia publication 'Internal Audit in Australia' and co-authored 'Audit Committees – A Guide to Good Practice, 3rd edition' issued by AICD / AUASB / IIA–Australia. He has authored white papers and fact sheets for the IIA–Australia.

He is an independent member of Audit Committees at the Department of the Prime Minister and Cabinet, the Australian Institute of Aboriginal and Torres Strait Islander Studies, and the Department of Mines, Industry Regulation and Safety in Western Australia. He is chair of the Audit Committee at Queanbeyan–Palerang Regional Council in New South Wales, and a member of the assessment committee to evaluate applications for the NSW Government Audit and Risk Committee prequalification scheme. He recently rotated off the Audit Committee at the Department of Social Services after 6 years.

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# Statement of Limitation



## **The Institute of Internal Auditors–Australia**

This report has been prepared at the request of the Bayside Council in connection with our engagement to perform an independent review of the Audit Risk and Improvement Committee.

All information included in this report is proprietary and confidential and is intended for internal use by Bayside Council.

Other than our responsibility to Bayside Council, neither the Institute of Internal Auditors–Australia nor the persons undertaking the Quality Assessment take responsibility arising in any way from reliance placed by a third party on this report.

We believe the statements made in this report are accurate, but no warranty of accuracy or reliability is given in relation to information and documentation provided by Bayside Council.

Considerable professional judgment is involved in performing a Quality Assessment and developing this report. Accordingly, it should be recognised that others could evaluate the results differently and may draw different conclusions.

**Connect › Support › Advance**

**Risk & Audit Committee**

**22/11/2018**

Item No                    5.2  
 Subject                    **Internal Audit Plan Update**  
 Report by                 Fausto Sut, Manager Governance and Risk  
 File                         F17/535

**Summary**

BDO has provided a detailed paper (attached) addressing the Committee’s previous queries in relation to the revised draft Internal Audit Plan dated August 2018.

**Officer Recommendation**

- 1     That the report on the internal audit plan update be received and noted.
- 2     That the internal audit plan dated August 2018 prepared by BDO and supplemented by the Internal Audit Position Paper dated November 2018 be endorsed.

**Background**

At the last meeting, the Committee requested that the revised draft Internal Audit Plan dated August 2018 prepared by BDO be approved subject to a further report outlining the delivery, plan, priorities and timeframes for the 2018/19 Internal Audit Plan and future years and that the initial audits be convened as planned.

BDO has provided additional information in relation to its draft internal audit plan and its report is attached. For convenience, in addition to the revised draft Audit Plan 2018/22, as presented at the last Committee meeting, has been attached as a separate document. Attached is an extract from the document and includes comments from the Manager Governance & Risk.

Planned Internal Audit	Estimated Timing and Hours	BDO Comments	Manager Governance & Risk Comment
1    Review of ICAC recommendations to confirm the progress made in implementation.	W/C 12 November 2018 65 hours	This internal audit is deemed to be <b>high priority</b> and is about to start.	Agreed. Within Statement of Works.
2    Review of AG’s recommendations as per 2016/17 management letters.	W/C 4 February 2019 52 hours	Management requested commencement in February 2019.	Agreed. Within Statement of Works.

Planned Internal Audit	Estimated Timing and Hours	BDO Comments	Manager Governance & Risk Comment
<p>3 Follow up of the status of health checks conducted in 2017/18. These include:-</p> <ul style="list-style-type: none"> <li>• External contractor management.</li> <li>• Procurement.</li> <li>• Payroll.</li> <li>• Employees mandatory licences etc.</li> </ul> <p>In addition, o/s legacy audit issues will be reviewed - See item 15 below.</p>	<p>W/C 12 November 2018 100 hours</p>	<p>This internal audit is deemed to be <b>high priority</b> and is about to start.</p>	<p>Agreed as part of the health check process. Within Statement of Works.</p>
<p>4 Health Check 1 – Peer Review of Meals on Wheels.</p>	<p>W/C 26 November 2018 42 hours</p>	<p>Deemed to be <b>high priority</b> by GM.</p>	<p>Agreed. Within Statement of Works.</p>
<p>7 Cash handling.</p>	<p>W/C 10 December 2018 80 hours</p>		<p>Agreed as identified internally and by Executive. Within Statement of Works.</p>
<p>8 Inventories held at two depots and ancillary locations. Will consider AG issue of underground tanks at Bexley Depot.</p>	<p>W/C 10 December 2018 80 hours</p>		<p>Agreed as identified internally and by Executive. Within Statement of Works.</p>
<p>14 Review of risk management profile and update of Strategic / Annual Internal Audit Plans.</p>	<p>W/C August 2018 48 hours</p>	<p>This project has been completed with the issue of the BDO Report on the Strategic Internal Audit Plan in August 2018.</p>	<p>Agreed and Completed. Within Statement of Works.</p>
<p>15 Follow up review of the implementation of previous years' internal audit and external audit recommendations. This may involve providing assistance with the finalisation of an up to date Recommendations Register.</p>	<p>W/C 26 November 2018 52 hours</p>	<p>This internal audit is deemed to be <b>high priority</b> and will be started after Item 3 above.</p>	<p>Re-assess following consideration of the item at Risk &amp; Audit Committee meeting. Within Statement of Works.</p>
<p>5 Health Check 2.</p>	<p>W/C 1 February 2019 48 hours</p>	<p>The specific health check needs to be agreed by Management.</p>	<p>Agreed. Executive has identified "<b>Accounts Payable</b>" as a priority.</p>

Planned Internal Audit	Estimated Timing and Hours	BDO Comments	Manager Governance & Risk Comment
6 Health Check 3.	W/C 8 April 2018 48 hours	The specific health check needs to be agreed by Management.	To be identified.
9 Information technology- General Controls Review.	N/A	It was originally planned that the first IT internal audit would be an IT General Controls Review. This is now being undertaken by the AGs as advised by Management.	NA
10 Asset management – property, facilities, plant / equipment and fleet.	W/C 11 February 2019 96 hours	Milton is a specialist in this area.	Agreed. Asset Management is a critical current audit focus.
11 Rates and other charges management.	W/C 11 March 2019 90 hours	Bronwyn is a specialist in this area.	Higher risk rating by BDO than Council. Some benefit subject to scope confirmation to include Pathway controls.
Procurement / purchasing.	W/C 8 April 2019 96 hours	Bronwyn is a specialist in this area.	Agreed. Supports current audit focus.
12 DAs, VPAs AND Section 94 / 94A contributions.	W/C 20 May 2019 103 hours	Milton is a specialist in this area.	Agree. Had been identified in initial audit planning after merger.
13 Drives (RMS) system.	N/A	BDO will not undertake the internal audit of DRIVES system access as we been advised by Management that this done internally. It has been placed on the Plan for completeness.	NA

Some discussion has been held with Steve Kent (BDO) in relation to aspects of the plan. It is agreed that:

- Further detailed scope on some of the audits identified will still be required to review time allocation and costing.
- The audit of the four health checks can commence with a report planned for the February 2019 Committee meeting.
- A new health check for Accounts Payable has been identified and BDO will commence planning for that work.

## Resourcing the Plan

At this stage, a Statement of Works has been agreed with BDO for some of the audit work i.e. items 1, 2, 3, 4, 7, 8, 14 & 15. In addition, item 5 (Health Check “Accounts Payable”) has also been commissioned to BDO.

The remaining items are considered appropriate but a final decision on the method of resourcing those audits has not been made. Options include internally completed by the Internal Auditor, or externally completed by BDO and/or other specialised audit provider or a combination of internal and external resources. A final decision will be made following consultation with the Internal Auditor on her return from maternity leave, which is expected in January 2019.

---

## Attachments

- 1 Strategic Internal Audit Plan Position Paper Update November 2018 [↓](#)
- 2 Attachment 2 Internal Audit Plan Review September 2018 [↓](#)
- 3 Attachment 3 Draft Internal Audit Plan 2019 - 2022 [↓](#)

Risk & Audit Committee  
22 November 2018

**Strategic Internal Audit Plan**  
Follow- Up Position Paper

**Introduction**

At the 27 September 2018 Committee meeting, it was recommended:

- 1 That the Acting Internal Auditor's review of the existing draft Internal Audit Plan be received.
- 2 That the Revised Draft Internal Audit Plan dated 16 September 2018 be approved subject to report outlining the delivery plan, priorities and timeframes for 2018/19 Internal Audit Plan and future years.
- 3 That the initial audits be convened as planned.

This Paper serves to provide an update on Items 2 and 3 above as requested by the Committee.

We have provided our Report under what we consider to be relevant headings and after taking into account input received from Management at a meeting held on 2 November 2018.

**High level approach to internal audit projects**

We considered it appropriate to outline at a high level, the proposed internal audit approach to be taken by BDO for all internal audit projects. This is set out below and is provided for those on the Committee who may not be aware of BDO's approach:

- We will meet with key stakeholders from Bayside for each of the internal audits specified in the Plan to gain an initial understanding of either the current status of the audit focal area and / relevant processes, policies, procedures, systems, risks, issues etc. and obtain / review relevant supporting documentation. From the preceding information, we will prepare formal scoping / terms of reference documents for sign off by key Bayside stakeholders. The scoping exercise facilitates the buy- in of key stakeholders into the internal audit process and documents key elements pertaining to the internal audits, including objectives, scopes, approach, key risks, timing, resourcing etc.
- From the preceding, BDO will develop a customised internal audit program after considering key risks / controls, we will execute the program and document our findings as we go, including recommendations for improvement. Our internal audit work will include interviewing relevant Bayside staff, examining relevant documentation and testing the operation of relevant processes and controls. We will report areas of possible improvement in the design and operating effectiveness of processes and internal controls.
- We will risk rate our findings based on Bayside's risk rating scale.

- We will prepare formal reports (draft and final) of our findings and areas for improvement based on the work undertaken and after clearing with Management (and obtaining their responses) prior to issuing to the Committee.
- We will personally attend Committee meetings to present the findings from our reports.

### 2018 / 2019 Internal Audit Plan

We have extracted details of the internal audit projects for 2018 / 2019 included in the Strategic Internal Audit Plan noted above and outlined the key information sought by the Committee. In providing this information, we have assumed that BDO will complete all internal audit projects.

Key points to note are as follows:

- We have included the estimated start date for each internal audit project and the estimated hours to complete, noting that the start dates may vary depending on circumstances, including Bayside staff availability.
- We have noted the allocated BDO internal auditors to perform each internal audit. All are senior professionals with the requisite knowledge and experience.
- We have highlighted those internal audit projects that are deemed to be high priority by Management. **At the time of writing this Report, internal audits 1 and 3 are about to commence.**
- There are two internal audits on the Plan that are not being completed by Internal Audit- internal audits 9 and 13 for the reasons noted.
- We have provided fee estimates for each of the internal audits listed in the Plan. As noted for a number of internal audits, we have already issued formal Statements of Work.

Planned Internal Audit	Estimated Timing and Hours	Allocated BDO Senior Internal Auditor	Comments	Estimated fee
1. Review of ICAC recommendations to confirm the progress made in implementation.	W/C 12 November 2018 – 65 hours	R Modesto	This internal audit is deemed to be <b>high priority</b> and is about to start.	\$10,000 <b>Note 1</b>
2. Review of AG's recommendations as per 2016/ 2017 management letters.	W/C 4 February 2019 – 52 hours	R Modesto	Management requested commencement in February 2019.	\$8,000 <b>Note 1</b>
3. Follow up of the status of health checks conducted in 2017 /2018. These include:	W/C 12 November 2018 – 100 hours	K Soon Tang	This internal audit is deemed to be <b>high priority</b> and is about to start.	\$16,000 <b>Note 1</b>

Planned Internal Audit	Estimated Timing and Hours	Allocated BDO Senior Internal Auditor	Comments	Estimated fee
<ul style="list-style-type: none"> <li>• External contractor management.</li> <li>• Procurement.</li> <li>• Payroll.</li> <li>• Employees' mandatory licences etc.</li> </ul> <p>In addition, O/S legacy audit issues will be reviewed. – See Item 15 below</p>			-	
4. Health Check 1 – Peer Review of Meals on Wheels.	W/C 26 November 2018- 42 hours	A Nariman	Deemed to be <b>high priority</b> by GM.	\$6,500 <b>Note 1</b>
5. Health Check 2	W/C 1 February 2019- 48 hours	A Nariman	The specific health check needs to be agreed by Management.	\$7,500
6. Health Check 3	W/C 8 April 2018- 48 hours	A Nariman	The specific health check needs to be agreed by Management.	\$7,500
7. Cash handling	W/C 10 December 2018 – 80 hours	A Nariman		\$12,500 <b>Note 1</b>
8. Inventories held at two depots and ancillary locations. Will consider AG issue of underground tanks at Bexley Depot.	W/C 10 December 2018- 80 hours	A Nariman		\$12,500 <b>Note 1</b>
9. Information technology- General Controls Review.	N/A	N/A	It was originally planned that the first IT internal audit would be an IT General Controls Review. This is now being undertaken by the AGs as advised by Management.	N/A
10. Asset management – property, facilities, plant / equipment and fleet	W/C 11 February 2019- 96 hours	M Kingsley	Milton is a specialist in this area	\$15,000

Planned Internal Audit	Estimated Timing and Hours	Allocated BDO Senior Internal Auditor	Comments	Estimated fee
11. Rates and other charges management	W/C 11 March 2019 – 90 hours	B.Nosworthy	Bronwynn is a speciliast in this area.	\$14,000
Procurement / purchasing	W/C 8 April 2019- 96 hours	B Nosworthy	Bronwynn is a speciliast in this area.	\$15,000
12. DAs, VPAs AND Section 94 / 94A contributions.	W/C 20 May 2019 – 103 hours	M Kingsley	Milton is a specialist in this area	\$16,000
13. Drives (RMS) system	N/A	N/A	BDO will not undertake the internal audit of DRIVES system access as we been advised by Management that this done internally.It has ben placed on the Plan for completeness.	N/A
14. Review of risk management profile and update of Strategic / Annual Internal Audit Plans.	August 2018- 48 hours	Steve Kent	This project has been completed with the issue of the BDO Report on the Strategic Internal Audit Plan in August 2018.	\$7,500 <b>Note 1</b>
15. Follow up review of the implementation of previous years' internal audit and external audit recommendations. This may involve providing assistance with the finalisation of an up to date Recommendtaions Register.	W/C 26 November 2018 – 52 hours	K Soon Tang	This internal audit is deemed to be <b>high priority</b> and will be started after Item 3 above.	\$8,000 <b>Note 1</b>
<b>TOTAL</b>				<b>\$156,000</b>

**Note 1: These items have been subject to formal Statements of Work and fee quotations.**

**2019 / 2020 – 2021 / 2022 Internal Audit Plans**

We have provided 'indicative' Internal Audit Plans for the years ending 30 June 2020 to 2022 in addition to 2018 / 2019.

Given that the preceding Plans are indicative only, it was not considered necessary at this time to provide the individual timing, costs etc for each year as these are likely to change with changed circumstance , priorities, risk profiles etc.

The key points to note are as follows:

- The content of the Plans should be reviewed with Management at the beginning of each year prior to implementation to ensure that it remains relevant and meets Council expectations, including budget constraints.
- Changes can be made to the number, nature, timing and type of internal audits for each year (health check, deep dive etc.), as required.
- We have not costed the Plans for the years following 2018/2019, but this should be done at the time the Plans are confirmed for each year. It is expected that the quantum of the total annual cost should be around \$150K plus GST.

**Acting CAE**

**Steve Kent**

**November 2018**



**DRAFT**

**BAYSIDE COUNCIL (BC)**  
Review of Strategic Internal Audit  
Plan: 2019 -2022

August 2018



Distribution	
Party	Title
Meredith Wallace	General Manager, BC
Michael Mamo	Director, City Performance, BC
Fausto Sut	Manager, Governance & Risk, BC
Sean Pascoe	Partner, BDO
Steve Kent	Principal, BDO



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Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

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This report is intended solely for the information and internal use of Bayside Council and is not intended and should not be used by any other person or entity.



## Executive summary

**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

## 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

Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

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## Executive summary

- 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



## Executive summary

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)



## Executive summary

- 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.



## Executive summary

**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

### 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			

Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

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

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

Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

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

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

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

Item	Risk	Year 1	Year 2	Year 3	Year 4	Unplanned
35.	Integrated Planning & Reporting	L				4
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

**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

Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

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**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

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## Appendix D - BCs Draft Plan Benchmarked Against Three Other Comparable Councils

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

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## Appendix D - BCs Draft Plan Benchmarked Against Three Other Comparable Councils

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

Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

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Appendix D - BCs Draft Plan Benchmarked Against Three Other Comparable Councils

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

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## Appendix D - BCs Draft Plan Benchmarked Against Three Other Comparable Councils

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

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Appendix D - BCs Draft Plan Benchmarked Against Three Other Comparable Councils

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

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Appendix D - BCs Draft Plan Benchmarked Against Three Other Comparable Councils

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

Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

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

**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
<b>SPECIAL INTERNAL AUDITS</b>								
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.	Follow up of the status of health checks conducted in 2017 /2018. These include: <ul style="list-style-type: none"> <li>External contractor management.</li> <li>Procurement.</li> <li>Payroll.</li> <li>Employees' mandatory licences etc.</li> </ul> In addition, O/S legacy audit issues should be reviewed.		NR	NR	X	-	-	-
<b>HEALTH CHECKS</b>								
4.	Health Check 1 - need to specify		NR	NR	X	-	-	-

Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

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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
5.	Health Check 2 - need to specify		NR	NR	X	-	-	-
6.	Health Check 3 - need to specify		NR	NR	X	-	-	-
	<b>DETAILED INTERNAL AUDITS</b>					-	-	-
7.	<b>Cash handling</b>	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.	<b>Inventories</b> 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.	<b>Information technology</b>	<b>Information technology.</b> 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

Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

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Appendix E - BCs 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
10.	<b>Asset management</b> - property, facilities, plant / equipment and fleet	This would include maintenance, leases, licences, acquisitions, disposals.	M	H	X		-	-
11.	<b>Asset management</b> - Infrastructure	This would include asset management strategy, inspections, maintenance	L	M	-	X	-	-
12.	<b>Key financial processes</b>	This will cover: <ul style="list-style-type: none"> <li>• AP</li> <li>• AR and provisioning</li> <li>• Reconciliations</li> <li>• GL</li> <li>• Journals</li> </ul> and spread over two years.  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	L	M	-	X	X	-
13.	<b>Rates and other charges management</b>	This would include pensioner concessions and non-rateable properties.	M	H	X	-	-	-
14.	<b>Grants management</b>	This would include both received and paid.	L	M	-	-	X	-
15.	<b>Payroll and leave management</b>	This will include all major forms of leave.	L	H	-	-	X	-
16.	<b>Procurement / purchasing</b>	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.	<b>Contract management</b>	This was included under the expenditure category in the draft Plan. It will cover	M	H	-	X	-	-

Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

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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
		consultants, contractors and any partnering/outsourcing agreements. Before undertaking a contracts register needs to be developed (this is planned).						
20.	<b>Compliance and regulatory enforcement</b>	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.	<b>Certifications</b>	Covers building, construction, occupation, fire, pool and other certifications, including PCA activities.	L	M	-	-	X	-
22.	<b>Budget setting and management reporting</b>	Have consolidated budget setting and management reporting which are related.	L	M	-	-	X	-
23.	<b>Corporate risk management</b>	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.	<b>Human resource management</b>	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.	<b>WHS compliance framework</b>	This is a high risk compliance area that applies across Council. The review is focused on the overarching framework.	L	H	-	X	-	-
26.	<b>Performance monitoring and reporting</b>	It is assumed that this internal audit was included to accommodate the foreshadowed	L	M	-	-	X	-

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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
		changes in the LG Act in regard to performance reporting.						
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	-
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	-	-	-

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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
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

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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
	<b>OTHER INTERNAL AUDIT ACTIVITIES</b>							
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

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Reserve List of Internal Audits (With BDO Risk Rating)

#### 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)

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## 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.	That Bayside Council reviews its financial processes and makes any necessary changes to ensure that: <ul style="list-style-type: none"> <li>- its vendor master file is subject to appropriate segregation and review-based controls</li> <li>- 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</li> <li>- operational managers have visibility over and involved in, setting budgets and monitoring expenditure against these budgets</li> <li>- adequate segregations exist across different financial processes</li> </ul>	Yes, based on suitable scope being prepared.
2.	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.	Yes with the exception of procurement.
3.	That Bayside Council reviews the position descriptions of key operational and financial roles to ensure that they include the required skill sets and qualifications.	Yes, if included in scope for HR internal audit.
4.	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.	N/A but follow up of internal audit and external audit recommendations included in 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.



## 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
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"> <li>- mandatory administration and governance directives similar to those that apply to state government agencies</li> <li>- requirements concerning the composition and operation of audit committees that are similar to those that apply to state government agencies</li> <li>- the requirement for council general managers to attest that audit committees are operating in accordance with requirements.</li> </ul>	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)

**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.

Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

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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
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- D

### 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
14.	Unplanned impacts of population growth	Not auditable

Bayside Council - Review of Strategic Internal Audit Plan for 2019-2022 - August 2018

This report is intended solely for the information and internal use of Bayside Council and is not intended and should not be used by any other person or entity.

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Appendix H- D

No	Risk	Covered by BC Draft Strategic Internal Audit Plan
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
<b>SPECIAL INTERNAL AUDITS</b>								
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.	Follow up of the status of health checks conducted in 2017 /2018. These include: <ul style="list-style-type: none"> <li>External contractor management.</li> <li>Procurement.</li> <li>Payroll.</li> <li>Employees' mandatory licences etc.</li> </ul> In addition, O/S legacy audit issues should be reviewed.		NR	NR	X	-	-	-
<b>HEALTH CHECKS</b>								

Draft 16 September 2018

18/130585

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
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	-	-	-
<b>DETAILED INTERNAL AUDITS</b>						-	-	-
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 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

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
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	-	-
12.	Key financial processes	<p>This will cover:</p> <ul style="list-style-type: none"> <li>• AP</li> <li>• AR and provisioning</li> <li>• Reconciliations</li> <li>• GL</li> <li>• Journals</li> </ul> <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	-	-

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
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 / 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	-

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
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	-
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
	<b>OTHER INTERNAL AUDIT ACTIVITIES</b>							
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

**Risk & Audit Committee**

**22/11/2018**

Item No	5.3
Subject	<b>Outstanding Internal Audit Recommendations List</b>
Report by	Fausto Sut, Manager Governance and Risk
File	F12/156

**Summary**

This report details the progress to date from May 2018 on outstanding legacy audit recommendations on the Issues List. There are 13 outstanding recommendations of which 3 are high risk concerning Operation Jarek (1) and Risk Audit (2).

A holistic review of the legacy recommendations has been undertaken in light of other initiatives, actions and reporting in place. As a result it is proposed that seven (7) items be closed including two (2) items where recommended action was implemented during the period. The residual recommendations are not covered by other reporting activities to the Risk & Audit Committee and are retained on the list.

**Officer Recommendation**

- 1 That the Committee notes the progress made on the Issue List's outstanding recommendations.
- 2 That the Committee continues to receive updated reports at its meetings.

**Background**

Of the legacy internal audits, 13 recommendations on the Issues List remained open. These relate to audits of the former City of Botany Bay Council in relation to risk management, leave (human resources) and Implementation of Operation Jarek (ICAC). Two (2) matters have been implemented during the reporting period. A further five (5) matters are in train and sufficient controls and alternate reporting mechanisms exist to enable these matters to be closed from this list.

The following Table summarises the current status of the Issues List.

Audit	Date of report	Total Recommendations	Closed as previously reported	Closed as currently reported	Continuing	Continuing Risk Rating		
						H	M	L
Risk (External review)	Nov14	29	22	7	0			
Leave	Jan15	9	8	0	1			1
Parks and Gardens	Aug15	13	10	0	3		3	
Follow-up on ICAC Jarek	Dec15	20	18	2				
		71	58	9	4			

Set out below are brief explanations of the status of the continuing recommendations including changes, if any, to the due dates. Set out in the attachment to this report are detailed explanations of the status of the continuing recommendations, and the recommendations closed since the last report.

### **Risk Audit**

The number of outstanding recommendations were 7 and it is proposed to close all these legacy recommendations.

In this regard:

- Two (2) recommendations have been implemented through the completion of the Business Continuity Project for the administrative precinct as the induction program has been modified to address fraud and corruption awareness.
- Three (3) recommendations will be captured through the implementation of the PULSE Enterprise Risk Management (ERM) module rescheduled for 28 February 2019, with regular reporting on risks being established to enable appropriate monitoring and oversight of Council's Enterprise Risk Management Policy and Strategy to close these legacy recommendations.
- One (1) recommendation is being addressed through the Business Processes and Controls Project. There is sufficient alternate reporting on that Project to enable the closure of the legacy recommendation on the outstanding list.
- One (1) recommendation, i.e. the development of a Building Asset Management Register is part of significant asset management issues raised through the Auditor General and being addressed by the Strategic Asset Management Committee which reports on a regular basis direct to the Executive Committee. The reporting on the External Audit and on the work of the SAMC enables more appropriate reporting mechanisms addressing the wider issue of asset management rather than merely one aspect related to this legacy recommendation.

### **Leave Audit**

The outstanding recommendation relates to the updating of the Payrun Standard Operating Procedures Manual to fully reflect current payroll processes (applicable at the time for the former City of Botany Bay payroll system). The implementation of the updated Council wide payroll system, iChris, on 2 July 2018 has harmonised processes and procedures. A post implementation review is currently underway and all relevant documentation has been rescheduled for completion by 28 February 2019.

### **Parks & Gardens Audit**

There are three (3) outstanding recommendations. Two (2) recommendations are reliant on the new Recreation & Community Facilities Policy which is rescheduled for adoption by 31 December 2018.

### **Follow-up on ICAC Jarek investigation**

There are two outstanding recommendations which are proposed to be closed.

- One (1) will be addressed with the implementation of the PULSE ERM module by 28 February 2019 with alternate reporting on risks being established.
- One (1) has been completed other than the setting of re-order threshold for stock items. The remaining action is rated a low risk. The TechOne Post Implementation

Review (PIR) has made a number of recommendations concerning inventory and provided a roadmap for implementation. This issue will be closed and incorporated as part of the monitoring and reporting on the PIR.

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## **Attachments**

Attachment Audit Issues Outstanding List Risk and Audit Committee 22 November 2018 [↓](#)

Original Ref. No	Source	Audit finding	Audit Recommendations	Current Due Date	Status	Risk Rating	Management's Comments	Action
22	Risk Audit	No formal process for ensuring that requirements of the Risk Management Policy is communicated to staff, especially those who are new to the organisation.	Develop a formal mechanism for ensuring that the Fraud and Corruption policy is communicated to staff especially new starters.	30-Jun-18	In Progress	Medium	<p>UPDATE NOVEMBER 2018 MGR - Recommendation CLOSE  Induction program incorporates fraud and corruption prevention awareness.  Recommendation Implemented.</p> <p>Previous: This is being incorporated into the Governance Induction process and is expected to restart in October 2017. Governance will start with providing training in the Code of Conduct to new starters as part of the POC Induction package. There will then be a separate induction on risk management, internal audit, records management, GIPA and business papers. All these training will be provided to new starters in a half day training program.</p> <p>Update for 24 May 2018 Meeting (Learning &amp; Development).</p> <p>The format of the new employee induction programme is currently being reviewed with the proposed objective of introducing interactive computer based subject modules. This would be in addition to the traditional and well received meeting with the GM and the Executive Team, as well as the opportunity to meet other new employees.</p>	UNCLOSE but CLOSE

35	Risk Audit	There is no evidence to suggest that the risk management methodology is being actively utilised to conduct risk assessments across the organisation.	Develop appropriate mechanisms to train and educate staff in how to apply and use the risk assessment methodology.	28/2/19 30/06/2018	In Progress	Medium	<p>UPDATE NOVEMBER 2018 MGR - Recommendation CLOSE</p> <p>External Consultant engaged to implement the PULSE suite including ERM module. Project Plan target of 28/2/2019 to implement, cleanse and train relevant staff. The Risk Register is a regular reporting item to the Executive Committee and Risk &amp; Audit Committee. This is an appropriate alternate reporting mechanism to ensure the effectiveness of Council's Enterprise Risk Management Policy &amp; Strategy.</p> <p>The acquisition of an appropriate integrated Risk Management and reporting software tool which is currently under way and is expected to be completed by 31 December. Training will provided to all staff on the system and the ERM framework once this software has been purchased.</p> <p>Update for 24 May 2018 Meeting (Coordinator Risk Management)</p> <p>As previously mentioned, PULSE ERM Implementation proposed completion date is 30/6/2018.</p> <p>Update for 27 Sep 18 Meeting (Coordinator Risk Management)</p> <p>PULSE implementation delayed due to integration with other PULSE modules. Expected to be implemented by next Committee Meeting.</p>	UNCLOSE but CLOSE
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38	Risk Audit	There is no ongoing ERM training or awareness program for staff	Develop or procure a risk management training program for delivery at appropriate intervals and post the training material on the Council intranet site.	28/2/19 30/06/2018	In Progress	Medium	<p>UPDATE NOVEMBER 2018 MGR Recommend CLOSE External Consultant engaged to implement the PULSE suite including ERM module. Project Plan target of 28/2/2019 to implement, cleanse and train relevant staff. The Risk Register is a regular reporting item to the Executive Committee and Risk &amp; Audit Committee. This is an appropriate alternate reporting mechanism to ensure the effectiveness of Council's Enterprise Risk Management Policy &amp; Strategy.</p> <p>The development of Risk Management reporting templates is partially complete to the extent that Risk Management Policy and Risk Management Strategy for Council have been harmonised and endorsed. The next stage is to complete the acquisition of an appropriate integrated Risk Management and reporting software tool which is currently under way. Training will provided to all staff on the system and the ERM framework once this software has been purchased.</p> <p>Update for 24 May 2018 Meeting (Coordinator Risk Management) As mentioned, the Pulse Enterprise Risk Management (ERM) sytem has been loaded as a module to existing PULSE IP&amp;R module. ERM implementation completion date is 30/6/2018. Completion of Enterprise-wide training in PULSE by 30/9/18.</p>	UNCLOSE but CLOSE
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41	Risk Audit	There is currently no self assessment controls in place within the organisation.	Utilise industry or Council developed checklists to evaluate Council's service delivery performance and internal control frameworks.	30/6/2019  From 30 October 2017	Overdue	Low	<p>UPDATE NOVEMBER 2018 MGR - Recommendation CLOSE</p> <p>Business Process &amp; Controls Project continuing and reported through other mechanisms including the implementation of Operation Ricco and Auditor General recommendations. and Council's own health check audits It is intended therefore to close this legacy recommendation given the body of work being done through more recent initiatives.</p> <p>Previous: In collaboration with the Project Manager Process and Controls, options will be examined to determine the control framework standard that will be utilised and applied across the organisation. Discussions on how to progress this issue will be discussed with the Project Control Group, which has been set up to discuss Project Ricochet. The types of checklist and its development will flow on from this review. Project expected to start from 30 October 2017 with milestones to be reported in March 2018 and June 2018.</p> <p>Update for 24 May 2018 Meeting (Acting Director City Performance) Resources shifted to consultancy arrangement in light of the resignation of the Project Manager in early April. A project plan with timelines to undertake priority work has been approved which focuses on the ICAC/NSW Audit Office recommendations.</p> <p>Update for 27 Sep 18 Meeting (A/MGR) Business Process and Controls phase 1 have been developed with a focus on implementation and embedding controls in 2018/19 across 18 business processes. Key focus in Q1 2018/19 to drive</p>	UNCLOSE but CLOSE
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42	Risk Audit	There is no evidence of a systematic process to ensure that risk owners have implemented identified risk treatment strategies or controls, nor are they held accountable for doing so.	Develop a framework or process for ensuring that risk owners are periodically reviewing and verifying the effectiveness of internal controls for which they are responsible.	28/2/19 30/06/2018	In Progress	High	<p>UPDATE NOVEMBER 2018 MGR - Recommendation CLOSE</p> <p>External Consultant engaged to implement the PULSE suite including ERM module. The module has reporting and escalation workflows. Project Plan target of 28/2/2018 to implement. Regularly reporting exists to the Executive and Risk &amp; Audit Committee and therefore it is intended to close this legacy recommendation as sufficient alternate report and control exists.</p> <p>Previous: This will be completed as per the schedule in the Risk Management Program and related to the Enterprise Risk Management and Risk Analysis Reporting parts of the program.</p> <p>Update for 24 May 2018 Meeting (Coordinator Risk Management)</p> <p>As mentioned, the ERM system will be ready to utilise by the due date and can import Risks and an associated Internal Control framework if the same has been systematically and consistently documented so that the information content will be useful and manageable.</p> <p>Update for 27 Sep 18 Meeting (Coordinator Risk Management)</p> <p>PULSE implementation delayed due to integration with other PULSE modules. Expected to be implemented by next Committee Meeting.</p>	UNCLOSE but CLOSE
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44	Risk Audit	The Business Continuity plan is still in draft format.	Finalise the development of the Business Continuity Plan as a priority.	31 March 2018  Revised completion date: 30 June 2018	In Progress	High	<p>UPDATE NOVEMBER 2018 - Recommendation CLOSE</p> <p>BCP for Administration Precinct completed and reported previously to the Committee.</p> <p>Previous: The Crisis Management Plan will be completed by November 2017. This information will feed into the Business Continuity Plan which will be completed, in conjunction with engaged consultants, by March 2018.</p> <p>Update for 24 May 2018 Meeting (Coordinator Risk Management)</p> <p>Achievable and work progressing to set workshop dates with key stakeholders.</p> <p>Update Sep 2018 Meeting (Coordinator Risk Management))</p> <p>Business Continuity Policy has been endorsed by Committee, as has the BCP for the Administration Precinct, as a model.</p>	UNCLOSE but CLOSE
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58	Risk Audit	The Council currently does not have a Building Asset Management Register	Develop a comprehensive Building Asset Management Register as soon as possible	30-Jun-18	In Progress	Medium	<p><b>UPDATE NOVEMBER 2018 MGR - Recommendation CLOSE</b></p> <p>The Strategic Asset Management Committee was established in August 2018 and reports directly to the Executive Committee on establishing the asset management framework and associated work. Asset Management has also been a focus of the External Audit. It is proposed to close this legacy recommendation based on the extensive work being undertaken by Council and reported through other mechanisms. There are sufficient external control points to ensure the necessary work is completed.</p> <p>Previous: There is now a transition project for merging asset information, identifying gaps, and determining confidence levels around all asset information across the different asset categories. This is included in 2017/2018 work plans for the Infrastructure Assets team.</p> <p>The Coordinator City Assets has gathered the available asset register information in preparation for his team to review and plan what needs to be done. This is a huge body of work that is expected to take approximately 24 months to complete.</p> <p><b>Update for 24 May 2018 Meeting (Internal Audit)</b>  <b>Building asset management register in place as the platform for building inspections (for condition) programme refer below. Register and inspection papers reviewed by IA.</b></p>	UNCLOSE but CLOSE
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67	Leave Audit	The Payroll Standard Operating Procedures require updating	<p>The Manager People &amp; Organisational Culture, or an appropriate delegate, should update the Payrun Standard Operating Procedures Manual to fully reflect current payroll processes.</p> <p>The updated SOPs Manual should be kept in soft copy on the Payroll shared drive.</p>	<p>28/02/2019</p> <p>28/02/2018</p>	Overdue	Low	<p><b>UPDATE NOVEMBER 2018 MGR</b></p> <p>The new iChris payroll system went live on 2/7/18. Post implementation review underway and reconciliation of leave balances is occurring to be completed by 31/12/18. Documentation to be finalised by 28/2/19.</p> <p><b>Previous:</b> There are procedures in payroll in various states of completion for Botany and Rockdale systems - many are hand written notes. A current review of processes is being undertaken. A new manual will be developed when the new HRIS is built. This is due to commence from August 2017. The pre-implementation study has been completed for the new HRIS. The software for the new HRIS system has been installed and the new system is currently being built. This is due to be completed by December 2017 with organisation wide implementation expected to be completed by Feb 2018.</p> <p>Update for 24 May 2018 Meeting (Manager People &amp; Organisational Development).</p> <p>Currently, as the iChris payroll system is being modified/built to Bayside's requirements, Standard Payrun Operating Procedures are being captured as how-to screen shots with appropriate captions. Very much as a WIP until the system goes live on 1 July18.</p> <p>Update Sep 2018 Meeting (Manager People &amp; Organisational Culture)</p> <p>The standard operating procedures have been changed in accordance with legislation and best practise. Documentation of the aforementioned</p>	UNCLOSE
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83	Parks and Gardens Audit	Identification and completion of parks maintenance works could be more proactive.	<p>The Outdoor Staff Supervisors should, at a minimum, do a quarterly audit of all their parks, gardens, reserves, ovals and sporting fields.</p> <p>A comprehensive checklist should be created by the Director City Infrastructure, in collaboration with other business areas to ensure that all relevant areas within the parks, reserves, ovals and sporting field are covered. This checklist should be used by the Outdoor Supervisors when doing their quarterly checks.</p> <p>Consideration should be given to creating a similar abbreviated checklist for the groundsman and the relevant mowing crew to use when they check the parks for damage and maintenance work.</p> <p>Consideration should be given to supervisors taking pictures of all damage,</p>	31-Jan-18	Overdue	Medium	<p><b>UPDATE NOVEMBER 2018 MGR</b>  <b>No reported change in status</b></p> <p><b>Previous:</b> The Manager Parks and Open Spaces advised that an audit software, iAudit, will be used across Bayside by all Team Leaders with the intention of eventually rolling this system out to all senior technicians. The first stage would be to provide the Team Leaders with access to this system and is expected to come into effect by Jan 2018. This system will be used to conduct condition assessments of Council's parks, gardens, reserves, ovals and sporting fields. All audits will be collated and reviewed by the Coordinators and appropriate actions will be taken according to the results of the condition assessment and the asset profile.</p> <p>The Director City City Presentation has advised the Internal Auditor and Executive Committee that condition assessments are completed to a monthly schedule (31/10/17). Awaiting a copy of the parks and gardens maintenance schedule (03/11/17).</p> <p><b>Update for 24 May 2018 Meeting</b>  <b>Parks and Open Spaces (approx. 150 staff) still rely, in the main, on manual procedures. Harmonisation mostly involves bringing Bayside East up to the procedural standards of Bayside West. Across the estate, very much reactive operations using various localised applications and checklists. Hoping to move to proactive management based on an all-inclusive internet based mobility platform (iPads, iAudit and, as a minimum, mobile phones; the latter for WHS needs for individual staff members especially older staff)</b></p>	UNCLOSE
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86	Parks and Gardens Audit	Lack of clear guidelines in place to manage the booking process.	A booking policy should be developed by the Coordinator Sports and Recreation, or her delegate, to provide clear guidelines to the Booking Officer and the public. The policy can either be an overarching document covering all activities and facilities, a separate policy for different uses or in another manner which suits Council. This policy should include, but not be limited to: a) what are considered permissible and excluded activities in parks. b) how many people have to attend an event for it to be chargeable. c) what areas are not conducive or allowed for any activities, if relevant. d) what types of permits are available. e) payment of booking fees. f) what the hirer is entitled to by making a booking e.g. exclusive use of area. g) paperwork and insurances required for each	31/12/2018  30 June 2018	In Progress	Medium	<p><b>UPDATE NOVEMBER 2018 MGR</b>  <b>As part of the Policy Harmonisation Project, the Recreation &amp; Community Facilities Management Policy is scheduled for completion by 31/12/18 and has a priority 3 assessment.</b>  <b>Previous:</b> Currently, bookings are being undertaken in accordance with the Recreation and Community Facilities Management Policy using the RMS Bookings system. All existing hirers have been moved from the spreadsheet that was used at the former Botany Council to the RMS Bookings System which was used by the former Rockdale Council. The electronic system is a more efficient way of monitoring bookings and capturing relevant and required information about Parks Bookings. RMS is also used by the Facilities bookings staff to manage bookings in halls and other indoor venues. The Management Policy needs to be updated to reference the whole of Bayside Council. This work should be done in consultation with relevant stakeholders across Council including the proposed Recreation Coordinator and the team managing indoor venues bookings. Reference will also need to be made to Strategic Management Plans for individual parks which will provide guidance for the types of activities that are permissible in parks. There is a cross-Council group looking at an improved electronic bookings management system which will allow the public ease of access to information about facilities and the bookings requirements attached to them. When the Sport and Recreation Coordinator is appointed further work can</p>	UNCLOSE
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87	Parks and Gardens Audit	It is unclear what types of events require a formal booking to be made.	<p>Management should consider all activities which are permissible in parks and reserves. At the minimum, the following additional events should be considered:</p> <ul style="list-style-type: none"> <li>a) social gatherings and the threshold at which the hirer will be charged.</li> <li>b) christening.</li> <li>c) photography and videography for weddings.</li> <li>d) set up of structures/props such as tables, chairs, wood fire pizza ovens, camping tents and electric heaters and air coolers.</li> <li>e) use of equipment including public address system.</li> <li>f) charity and fundraising events.</li> </ul> <p>The Booking Policy should clearly state that any requests to book parks and reserves to conduct activities outside those listed will be assessed on a risk basis.</p> <p>Management should consider the consequences</p>	31/12/2018  30 June 2018	Overdue	Medium	<p><b>UPDATE NOVEMBER 2018 MGR</b>  <b>As part of the Policy Harmonisation Project, the Recreation &amp; Community Facilities Management Policy is scheduled for completion by 31/12/18 and has a priority 3 ranking for completion.</b></p> <p><b>Previous:</b> There is an existing Recreation and Community Facilities Management Policy that was developed for the former Rockdale Council. This Policy is now being used to guide all bookings across Bayside and includes conditions of hire that can be applied to specific events, photography, set up, use of equipment, charity and fundraising events but further Policy work needs to be undertaken to harmonise policies across Bayside.</p> <p>Update for 24 May 2018 Meeting (Manager Recreation &amp; Community Services)          Existing policy updated and now covers all of Bayside. Policy in draft form and being reviewed by Governance with approval due by 30 June 2018.</p>	UNCLOSE
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111	Follow up on Operation Jarek recommendations		The Coordinator Risk Management, together with the relevant stakeholders, should identify points and types of risks present in the existing process and collaboratively determine strategies to close gaps and treat risks. This would include potential areas of corruption risks. Once completed, these risks and strategies should be added into the system for tracking and monitoring.	28/02/2019 28/02/2018	In Progress	High	<p>UPDATE NOVEMBER 2018 MGR - Recommended CLOSE</p> <p>This will be finalised as part of the implementation of PULSE ERM module by 28/2/2019. Both registers to be migrated to PULSE ERM system for monitoring and reporting. Operational Risk Register draft risks and controls are to be confirmed and refined with key business units progressively and uploaded into the PULSE ERM system to introduce facilitated quarterly risk and control reporting by Risk Owners across the enterprise. The Executive and Risk &amp; Audit Committees receive regular reports on the risk registers and this is an appropriate mechanism to ensure this legacy recommendation is finalised.</p> <p>Previous:</p> <p>This will be completed as part of the "undertake risk analysis for all key business services and implement relevant action plans" section of the Risk Management Program.</p> <p>Update for 24 May 2018 Meeting (Coordinator Risk Management)</p> <p>Strategic Risk Register in place. Operational Risk Register being developed for review by Executive. Both to be migrated to PULSE ERM system for monitoring and reporting. Operational Risk Register still on track for due date of 30 June 2018.</p> <p>Update 27 Sep 18 Meeting Meeting (Coordinator Risk Management).</p> <p>Strategic Risk Register in place and subject to ongoing quarterly reviews by Executive and R &amp; A Committees.</p> <p>Operational Risk Register has been drafted based on</p>	UNCLOSE but CLOSE
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116	Follow up on Operation Jarek recommendations		<p>At a minimum, the following should be undertaken immediately:</p> <p>a) Determine the re-order threshold for stock items. Implement the threshold and review for adherence during stock takes.</p> <p>b) Implement segregation of duties between ordering goods, receiving goods, recording information into Authority and completing stocktake for the Gatekeeper and Storeperson.</p> <p>c) Label stock items in "warehouse".</p> <p>d) Determine who has access to the 3 "warehouse" where stock is currently kept. Where this information is not easily available, locks and keys should be changed for the 2 "warehouses" which does not have cyber key access. A register should be maintained, highlighting the individuals who have access to the different stock "warehouses".</p>	31-Dec-17	Overdue	Low	<p><b>UPDATE NOVEMBER 2018 MGR Recommended CLOSE:</b>                  The TechOne Post Implementation Review has made a number of recommendations concerning Inventory and a roadmap. This issue will be closed and incorporated as part of the monitoring and reporting on those recommendations.</p> <p>a) TechOne has the capability to set minimum re-order levels and maximum order quantities. Due to the delay in implementing TechOne for Bayside East, the thresholds for all of Bayside has not yet been finalised. This will be completed by Dec 2017.</p> <p>b) Complete</p> <p>d) Complete</p> <p>Update for 24 May 2018 Meeting (Coordinator Fleet Operations &amp; Stores)</p> <p>a) [Further delays] Due to ongoing implementation issues with the Bayside East T1 (and the way the former Botany inventory system was created), this has been held until the next full stock take is completed with a view of re-implementing the data load from scratch.</p> <p>c) completed</p>	UNCLOSE but CLOSE
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## Risk & Audit Committee

22/11/2018

Item No	5.4
Subject	<b>Project Ricochet Update</b>
Report by	Michael Mamo, Director City Performance
File	F17/634

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### 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.

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### 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.
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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 2018, report 5.6 Project Ricochet Update; 24 May 2018, report 5.4 Project Ricochet Update and on 27 September 2018, report 5.1 Project Ricochet Update. This report provides a further 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.

In December 2018, Council will provide ICAC with the first implementation progress report. This report will be based on actions taken to date to address the action plan submitted in response to the ICAC recommendations. To provide independent verification of the effectiveness of the actions implemented to date, BDO are currently undertaking a review of ICAC recommendations and our action to confirm the progress made in implementation. This review will be included as part of the progress report to be submitted ICAC in December 2018.

### Summary ICAC Recommendations - November 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 have been completed, many of which related to the period prior to the ICAC report being issued. Five actions from 2016/17 continue to remain ongoing which relate to:

- a Improving the Bank Signatory arrangements for Bayside going forward (rescheduled to 31/11/2018).
- b Improvements to the reconciliation processes (in particular assets and bank accounts), (on track to 31/12/2018).
- c Improvements to purchase card reconciliations (rescheduled to 31/12/2018).
- d Processes to manage the changes to system security when staff movements occur within the organisation (on track to 31/12/2018).
- e Policy harmonisation reviews continue across Bayside Council (on track to 30/06/2019).

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

- 1 Bank signatories are currently being updated with new structure for approvals – bank forms have been prepared for signing. 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 has been completed to identify opportunities to improve the system. The report is currently being considered by the Executive.
  - c An organisational project is in progress to transition DA related receipting from the Authority receipting system into Council's core financial receipting systems - Pathways and TechnologyOne.
- 3 Improvements to reconciliations for balance sheet and bank account have been implemented for 2018/19. A soft implementation commenced for July and August, with a more complete implementation in September and October. This has identified system and data issues which are now being managed through monthly balance sheet control sheets and action and issue logs. Controls have also been improved with the Director City Performance and Manager Finance now overseeing the monthly coordinator's reviews.
- 4 New business process and controls have been implemented for Credit Cards and Store cards, which are currently being embedded. A recommendation of this is that a review of the Bunnings charge card facility is being considered as the current systems are manual and result in low value transactions. City Presentation are reviewing expenditure and assessing business requirements and what can be provided through stores. Following this review, new business rules are to be agreed, training updated and systems embedded. New forms and processes, including the month end reconciliations to clear the credit card balances, continue to be embedded.
- 5 Policy harmonisation is ongoing with a project running to 30/06/2019.

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

	Recommendation	2017/18				Total
		Complete	On Track	Off Track	Rescheduled	
1	Segregation of duties, budget control, Vendor Maintenance	6	14	0	1	21
2	Business Process and Internal Controls Reviews	2	6	0	0	8
3	Review of key operational and finance roles	3	2	0	1	6
4	General Manager performance to consider Audit Recommendations	2	2	0	0	4
5	Risk Assessment to inform Internal Audit	1	0	0	0	1
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
	<b>Total Number of Actions</b>	<b>16</b>	<b>27</b>	<b>0</b>	<b>2</b>	<b>45</b>

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 which were all completed prior to the last September 2018 update.

Overall, 27 actions remain on track and 2 actions have been rescheduled in this update:

- Internal audit health check of Accounts Payable (rescheduled to 31/03/2019).

Procurement health check already completed and recommendations being implemented. Rescheduling due to availability of internal audit resources.

- Capability assessment of finance staff (rescheduled to 30/04/2019).

Initial training needs analysis completed and training, mentoring and coaching is occurring to implement and embed the business processes and controls. Current focus on 2018/19 Quarter 1 and Quarter 2 quality, and the external interim audit of 2018/19 Quarter 1 is in progress. The capability assessment has been rescheduled to the New Year to provide staff time to learn and implement the new processes and systems and develop capability and manage change fatigue.

As per the September update, 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. The NSW Audit Office is performing an interim audit of Quarter 1 to support this continuous improvement.

A Post Implementation Review of TechnologyOne, Council's core financial management information system has been completed and is being considered by the Executive. It is expected this review 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 (November 2018 Update) includes all open items.

### Summary - Interim Audit Management Letter - (August 2017 - November 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, 24 actions (47%) have been completed, of which 3 actions were completed since the September 2018 update (refer Table 2).

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

Audit Recommendation	Management Response	Management Comment September 2018
<b>Issue 2 – Review of user access rights</b>		
<p>Management should regularly review user access rights.</p> <p>The review should include validating that user access rights correspond with the current job responsibilities and support adequate segregation of duties</p>	<p>Governance Manager to conduct quarterly review of compliance with delegations.</p>	<p>Completed.</p> <p>System and security to be aligned to roles and responsibilities. Reviews ongoing and quarterly review to be embedded in 2018/19, September 2018 Quarter review completed by Governance and IT.</p>
<b>Issue 8 – Review of reconciliations</b>		
<p>Reconciling items should be addressed on a timely basis.</p>	<ol style="list-style-type: none"> <li>1. Coordinator Financial Reporting to prepare Monthly report to monitor list of Monthly Reconciliation Adjustments and Age of unreconciled amounts.</li> <li>2. Schedule Monthly Meetings between Director City Performance, Manager Finance and Coordinator Financial Reporting to discuss Reconciliations.</li> </ol>	<p>Completed.</p> <p>Month end procedure implemented in 2018/19 from September 2018/19 onward. A Control Sheet for reconciliations has been implemented and Director of City Performance and Finance Manager monthly reviews implemented to embed and drive the completeness, quality and timeliness of reconciliations to improve the integrity of the financial reporting for decision making. Focus in 2018/19 to embed process, quality and controls.</p>

Audit Recommendation	Management Response	Management Comment September 2018
<b>Issue 8 – Review of reconciliations</b>		
Reconciling items should be addressed on a timely basis.	Gain approval and implement an updated Delegations Manual to include Approve General Ledger Adjustments as a specific delegation and issue new delegations to Finance staff	Completed.  Decision not to implement this action as there is no "financial" delegation required for posting journals. Audit recommendation "Reconciling items should be addressed on a timely basis" has been addressed by the implementation of 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.

Overall, the November 2018 Status of Actions by Issue reports two (2) actions as rescheduled, both which relate to developing an Investment Strategy for Council. Both actions are dependent on the appointment of an independent investment advisor (in progress) and the subsequent development of an Investment Strategy which will need to be developed in conjunction with Council's Long Term Financial Plan. Based on the annual integrated planning and reporting cycle the timing for the development of the Investment Strategy has been aligned with Council's development of the 2019/20 Budget, Operational Plan and Delivery Program. This provides time for consideration of the impact on the LTFP of changes to the LEP, and the increased housing targets for Bayside local government area which will drive development requirements and funding of Section 7.11 Plans. These two actions have been rescheduled from 31/12/2018 to 30/06/2019.

The November 2018 update continues to reflect 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 during September and October has been on the implementation and embedding of the reconciliation processes in 2018/19 and building financial management capability across the organisation. The Post Implementation Review of TechnologyOne has been completed by a consultant and is being considered by the Executive. This review will identify issues and inform the resolution of addressing improvements to the TechnologyOne control environment, in particular improvements to the asset and work order systems.

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

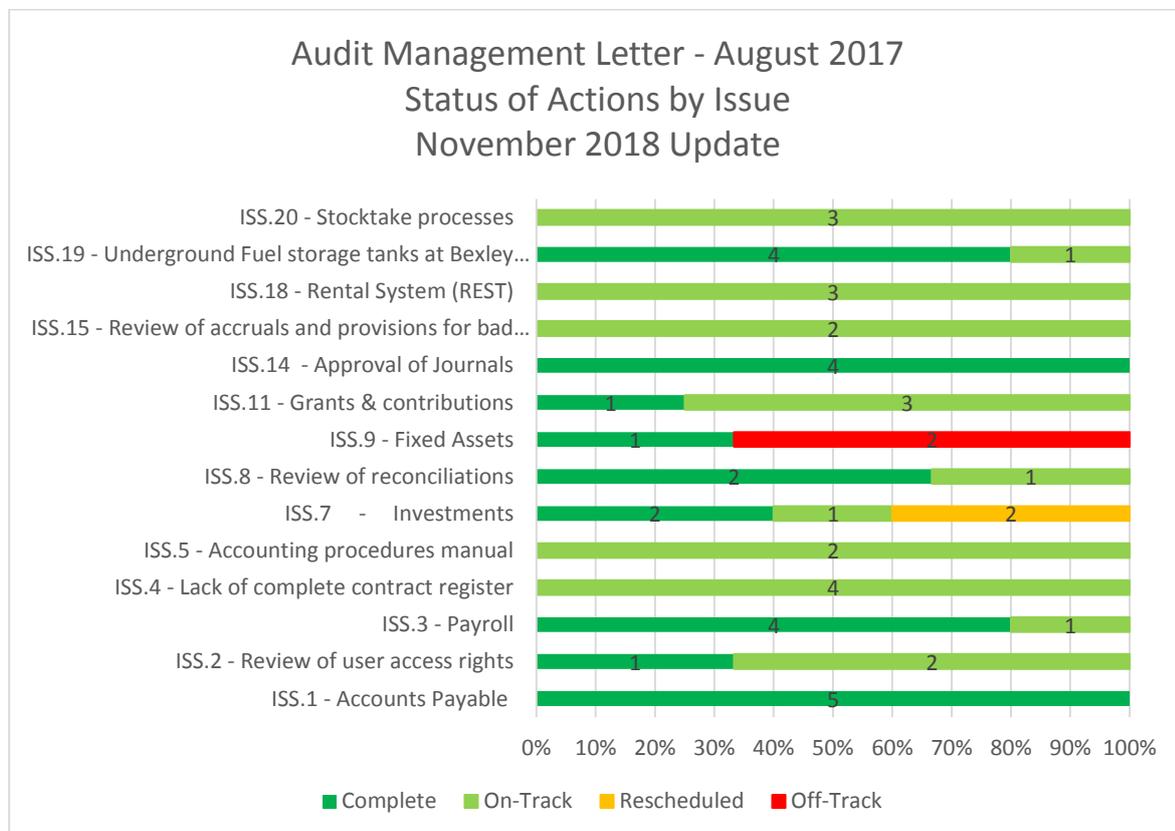
outstanding and the interim and final audit for 2017/18 is yet to be completed. Management are continuing to respond to audit issues relating to the 2016/17 financial statements. It's noted that the 2017/18 financial accounts have not been finalised and the Office of Local Government have confirmed verbally that an extension will be granted up until 28 February 2019.

An interim audit of the 2018/19 first quarter has commenced to review the current control environment and provide assurance that the control environment in 2018/19 is improving. Notwithstanding the focus on improvement, the process of improving reconciliations and reviews continues to identify issues to be addressed and work required on systems, data integrity, and the continuing need to build financial management capability in the Finance team and in business units. The Post Implementation Review of TechnologyOne will identify issues and opportunities for improvement and options. This report is currently being considered by the Executive.

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 November Update are due to revised timeframes and are still expected to be implemented.



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

Track”.

Two key issues continue to be reported as “Off-Track” as per previous updates, in part or in full are:

Audit Issues Off-Track	Overall Comment
Audit Issue	Overall Comment
Issue.9 - Fixed Assets	<p><b>Monthly posting of Depreciation:</b> 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.</p> <p>Off-track. Capitalisation of Work In Progress at point of commissioning.</p> <p><b>Capitalisation of Work in Progress on Monthly Basis:</b> 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 &amp; 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.

Work has continued to progress and 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 continue to 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.

The Business Process and Controls reviews are all considered high priority and are highly interrelated. The following table groups the Business Process and Controls based on their relationship to each other in creating an end to end set of internal controls. The “Priority” reflects this interdependency and manages the financial risk based on the potential for financial loss to occur.

- 1 Establish controls for monitoring, review and reporting environment.
- 2 Manage compliance with Delegations and manage system access.
- 3 Controls over Cash and Cash Equivalents.
- 4 Controls over Expenditure.
- 5 Controls over Revenue.
- 6 Controls over Legal Agreements.

## 7 Controls over Developer Contributions.

**Table 3: Prioritisation of Business Process and Controls**

Process Group	Priority	Control Objective	Business Process & Controls
Establish controls for monitoring, review and reporting	1	<i>Monitoring Control</i> Implement organisational wide effective monitoring, reporting and analysis, including reconciliation and systems controls (detective and corrective controls).	<ul style="list-style-type: none"> <li>Financial Reporting</li> </ul>
Manage compliance with Delegations and manage system access	2	<i>Policy &amp; Systems Control</i> Maintain organisational wide compliance with: delegations, system and physical controls.	<ul style="list-style-type: none"> <li>Employee Onboarding</li> <li>Delegations</li> </ul>
Controls over Cash and Cash Equivalents	3	<i>Asset Control</i> Implement controls over cash and cash equivalents that are preventive, detective and corrective. Increase senior management oversight.	<ul style="list-style-type: none"> <li>Bank Reconciliation</li> <li>Investments</li> <li>Cash Handling</li> <li>Receipting</li> </ul>
Controls over Expenditure	4	<i>Asset Control</i> Implement controls over payments to suppliers and third parties that are preventive, detective and corrective. Increase senior management oversight.	<ul style="list-style-type: none"> <li>Procurement</li> <li>Accounts Payable</li> <li>Inventory Management</li> <li>Purchase Cards</li> <li>Bonds</li> </ul>
Controls over Revenue	5	<i>Asset Control</i> Implement controls over revenue and receivables from third parties that are preventive, detective and corrective. Increase senior management oversight.	<ul style="list-style-type: none"> <li>Fees and Charges</li> <li>Accounts Receivable</li> </ul>
Controls over Legal Agreements	6	<i>Asset Control</i> Implement controls over legal relationships to protect Council's interests.	<ul style="list-style-type: none"> <li>Contracts Register</li> <li>Legal Documents</li> <li>Bank Guarantees</li> </ul>
Controls over Developer Contributions	7	<i>Asset &amp; Obligation Controls</i> Implement controls over Developer Contributions to protect the community interests and monitor Council's legislative obligations.	<ul style="list-style-type: none"> <li>Developer Contributions</li> </ul>

Five other key areas continue to be addressed by the business, but do not fall within the scope of Project Ricochet and are being managed through separate projects:

- Assets (and Work Orders) – Separate project to identify and develop a project to resolve issues. As previously reported there are unresolved audit issues and Management have undertaken a Post Implementation Review of TechnologyOne to identify issues and solutions.
- Payroll – Separate project to implement a single Bayside Council payroll system I-Chris to align Council's harmonise payroll and implement the improved internal controls. I-Chris went live 1 July 2018 for 2018/19 payroll. The Manager POC and Manager Finance continue to work together to embed the implementation and verify legacy data.
- Authority to TechnologyOne / Pathways Migration – Separate projects have been run, and continue to be scoped, to move to a whole of organisation platform to

TechnologyOne & Pathway as Council's core financial management systems.

- Business Units Subsystems - Business sub-systems business processes have not been reviewed in phase 1 as their impacts were more localised. Touch points with core business processes have been addressed as identified. Example, changes to banking and cash handling processes, receipting, bank reconciliations, have been implemented (or recommended for implementation) through the reviews of: Bank Reconciliation, Cash Handling and Receipting. Where necessary, Business Units have been working with IT and Finance to develop business requirements for scoping new systems suitable to their functions.
- Policy Harmonisation – Council is continuing to address policy harmonisation following the amalgamation. A separate project is in progress with expected completion by 30 June 2019.

**Business and process controls approval framework:**

At this stage, the business process and controls documents are being reviewed for final agreement with the relevant business owners, subject matter experts and key impacted stakeholders. This review also requires the development of policy and business rules that govern the business processes.

**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.

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

- 2016/17 Audit Management Letter (recommendations).
- 2017/18 finalisation of accounts, Interim and Final Audit Management Letter (recommendations).
- Post Implementation Review of 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 continue to be 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:

- 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.
- The process of embedding the business process continues to identify new and emerging issues and work with the teams to develop solutions to address issues. However, it is this control process that will also manage and control the remediation of issues in a timely manner. Particular focus has been on the 2018/19 Quarters 1 and 2, implementation of month end processes, including reconciliations and review. This has identified a number of legacy issues still to be addressed, uncleared balances from prior to 1 July 2018, incomplete 2017/18 reconciliations.

The September month end has been supported through coordination of planning and delivery and in monitoring the completeness and quality of reconciliations. This identified significant gaps in understanding which are being addressed in the embedding of the processes, detailed review and coaching and mentoring of coordinators and staff.

- Identified issues in: interfaces between subsystems and TechnologyOne (Pathways, I-Chris); within TechnologyOne, and in transitioning Authority to Pathways and TechnologyOne. Staff have been working to identify issues, identify solutions and prepare controlled corrections.

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 continue to focus on improving the quality, timeliness and meaningfulness of management information systems and prioritising the implementation and embedding the financial management controls in 2018/19.

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## Attachments

- 1 Attachment 1 - ICAC Open Items November 2018 [↓](#)
- 2 Attachment 2 - Audit Management Letter Open Items November 2018(2) [↓](#)

ATTACHMENT 1 - BAYSIDE ICAC ACTION PLAN – 2017/18 ACTIONS - OPEN ITEMS (NOVEMBER 2018 UPDATE)  
 Update: Risk and Audit Committee 22/11/2018  
 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 Mgt Comment) / NFR Complete	Management Comment NOVEMBER-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	On-Track	On track. 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	On-Track	On track. 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	On-Track	On track. 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	On-Track	On track. 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.
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	2017/18	A.1.1.3.6	Manager Procurement	No PO No Pay policy implemented Compliance monitored weekly and non-compliance addressed by emails and additional training Reporting of non-compliance to Executive	31/12/2018	On-Track	On track. 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.

	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 NOVEMBER-2018
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	Internal auditor conducting health check of procurement by 31/12/17 Project Manager Business Process and Controls documenting internal control framework and business processes for Accounts Payable and Procurement by 31/12/17	31/03/2018	Rescheduled	Rescheduled. Revised date from 31/12/2018 to 30/04/2018. Internal health check completed for Procurement based on current state. Manager Procurement is implementing recommendations. Business process and controls to be embedded in 2018/19. Further health check reviews to occur in the third quarter 2018/19 due to availability of internal auditor.
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	Project Manager Business Process & Controls with Finance Coordinators - Document Finance business process and controls framework and associated training material Conduct training for managers across: Monthly Performance Monitoring & Reporting, Budget Management, Budget Preparation & Forecasting, Costing and Business cases, Financial processes and controls	31/03/2019	On-Track	On track. 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 management, and effectiveness of control
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	Manager Finance - develop compliance measure Manager POC - advise Manager's to update Work plans as required Manager Finance - Conduct training and information session for Managers	31/12/2018	On-Track	On track. Measures developed and are to be implemented in the 2018/19 Workplans. Training to support Business Unit Managers including managing to a KPI rolled out in November 2018.
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	As per A.1.1.4.8	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	Business partner model implemented Jan-Mar-17 Training developed - as per A.1.1.4.6	31/12/2018	On-Track	On track. Business Partner Model implemented and Enterprise Budget Module has been implemented for 2018/19 and rollout is in progress. Staff training and business unit training in progress (September to November) as part of embedding the monthly financial reporting process.
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	On-Track	On track. Business Partner Model implemented and Enterprise Budget Module has been implemented for 2018/19 and rollout is in progress. Staff training and business unit training in progress (September to November) as part of embedding the monthly financial reporting process.

	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 NOVEMBER-2018
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	On-Track	On track. 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	On-Track	On Track Internal controls are being implemented in the business process and controls reviews.
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	On-Track	On track. 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	On-Track	On track. 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	31/11/2018	Rescheduled	Rescheduled. Revised date from 30/10/2018 to 31/11/2018. Bank signatories being revised as part of Treasury Management review. Forms for bank currently being executed (2/11/2018).
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	31/12/2018	Rescheduled	Rescheduled. Revised date from 30/10/2018 to 31/12/2018. Business Process & Controls review completed with changes to be embedded in 2018/19. Responsibility for Fuel Cards reviews has been assigned to the Fleet Coordinator, and the Purchase Store Cards are being monitored by City Presentation. New forms and processes for reconciliation (including business rules) is being embedded.

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 NOVEMBER-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	On-Track	On track. 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	On-Track	On Track - key policy harmonisation 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	On-Track	On track. 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. Governance conduct quarterly reviews with IT to ensure TechnologyOne approval limits for purchasing are maintained.
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	On-Track	On track. 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	On-Track	On track. 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 NOVEMBER-2018
2.1	Ongoing improvement of reconciliation processes by transitioning of Authority systems to Tech One (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	On-Track	On track. New business process and control processes to be implemented and embedded in 2018/19. Soft implementation July / August, with increase in September and October to move toward a full reconciliation pack on a monthly basis.
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	On-Track	On Track - key policy harmonisation 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	On-Track	On Track. Work is focused on developing 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	On-Track	On track. 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 and the Post Implementation Review of TechnologyOne is currently being reviewed by Management.
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	30/04/2018	Rescheduled	Rescheduled. Revised date from 31/12/2018 to 30/04/2019. This item has been rescheduled based on the workloads within the finance business unit and current focus to embed the business process and controls and train staff. In 2016/17 Finance Position Descriptions were 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. The first stage Training Needs gap analysis has been completed and training is being rolled out to address identified gaps. A further detailed consultancy has been scheduled for the first quarter 2019 to assess capability to further support development of staff.

	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 NOVEMBER-2018
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
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	On-Track	On track. 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. Workplans and first Training Needs Analysis has been completed with training, coaching and mentoring progressing.
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	On-Track	On Track. 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	On-Track	On Track. 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	Consultant with IIA engaged to conduct independent review and review underway. Expected completion date by 30 November 2018.
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	Consultant with IIA engaged to conduct independent review and review underway. Expected completion date by 30 November 2018.
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	Consultant with IIA engaged to conduct independent review and review underway. Expected completion date by 30 November 2018.

ATTACHMENT 2 - BAYSIDE INTERIM AUDIT ACTION PLAN - OPEN ITEMS (NOVEMBER 2018 UPDATE)  
Risk and Audit Committee 22/11/2018

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 - NOVEMBER 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	On-Track	On track. 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	On-Track	On track. New HR systems are being implemented to support the onboarding processes for staff. BP&C documented based on existing systems.
ISS.3 - Payroll		<p><b>Masterfile access</b> The payroll team has access to payroll master file, including employees bank accounts details</p> <p><b>Not all Masterfile changes are reviewed</b> The "Log audit report" from Chris 21 is not being used to review all changes to employee master files.</p> <p><b>Review of exception reports</b> 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> <p><b>Ensuring all leave taken is</b></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	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	On-Track	On Track. 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.

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 – NOVEMBER 2018
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	<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"> <li>• details of the contractors, project undertaken or goods and services to be provided</li> <li>• date on which contract became effective and duration of the contract</li> <li>• estimated contract value</li> <li>• information to identify the legal, operational and financial responsibilities and custodians of the contracts</li> </ul>	Manager Procurement	<p>Implement a centralised Contracts Register by 31/12/17.</p> <p>Document the Business Process and Controls for the Council's Contracts Management.</p> <p>Procurement Manager to conduct Monthly reviews of Contracts of emerging and new contracts, and upcoming ending / terminating contracts, and or renewals.</p>	31/12/2018	On-Track	On Track. 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 based on current improved business practice. Post implementation Review of TechnologyOne in progress and report being considered by the Executive. Manager Procurement updating the Register for all attributes and ongoing embedding to occur in 2018/19.
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"> <li>• details of the contractors, project undertaken or goods and services to be provided</li> <li>• date on which contract became effective and duration of the contract</li> <li>• estimated contract value</li> <li>• information to identify the legal, operational and financial responsibilities and custodians of the contracts</li> </ul>	Manager Procurement	<p>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.</p>	31/12/2018	On-Track	On Track. 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"> <li>• details of the contractors, project undertaken or goods and services to be provided</li> <li>• date on which contract became effective and duration of the contract</li> <li>• estimated contract value</li> <li>• information to identify the legal, operational and financial responsibilities and custodians of the contracts</li> </ul>	Manager Procurement	<p>Engage BNG, a credentials checking agency, to audit and certify WHS and other compliance requirements for contractors.</p> <p>Review and redress any non-compliance identified by BNG within 2 weeks and / or immediately if risk assessment critical.</p>	31/12/2018	On-Track	On-Track. 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.

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 - NOVEMBER 2018
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"> <li>• details of the contractors, project undertaken or goods and services to be provided</li> <li>• date on which contract became effective and duration of the contract</li> <li>• estimated contract value</li> <li>• information to identify the legal, operational and financial responsibilities and custodians of the contracts</li> </ul>	Manager Procurement	<p>Configure TechOne to include the following fields:</p> <ul style="list-style-type: none"> <li>• details of the contractors, project undertaken or goods and services to be provided</li> <li>• date on which contract became effective and duration of the contract</li> <li>• estimated contract value</li> <li>• information to identify the legal, operational and financial responsibilities and custodians of the contracts</li> </ul>	31/12/2018	On-Track	On-Track. 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.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:	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 process 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	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:	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 process 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. The TechnologyOne Post Implementation Review has been completed to identify a road map to address system and process issues, in particular asset management. The new Payroll system i- Chris went live in July 2018 and work continues to embed the new system. Other Business unit subsystems and business processes interfaces will be reviewed throughout 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	On-Track	On Track. 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 revised by this Committee for referral to the Council.

Issue	Observation	Implication	Ref	Recommendations	Responsible Manager	Action/s	Revised End Date	On-Track / Rescheled / Off-Track / NFR Complete (if Off provide Mgr Comment)	Management Comment – NOVEMBER 2018
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	30/06/2019	Rescheduled	Rescheduled. Revised date from 31/12/2018 to 30/06/2019. A Draft Investment Policy has been prepared and a business case to initiate a procurement process for the appointment of a new Investment Advisor. The timeframe for appointment of the investment advisor and the development of the investment Strategy has been extended to 30/06/2018 to align with the development of the new 2019/20 Budget and updates to the Long Term Financial Plan which will take into account the emerging changes to the LEP.
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	30/06/2019	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).

**Risk & Audit Committee****22/11/2018**

Item No	5.5
Subject	<b>2016/17 Financial Statements Update</b>
Report by	Matthew Walker, Manager Finance
File	F09/744

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**Summary**

The Manager Finance provides an update on the progress on the draft 2016-17 Financial Reports. Council continues to work on the completion of the financial reports and is addressing issues with audit relating to balance sheet items. An update on audit status will be provided by the Audit Office NSW, Audit Director, and Mr David Nolan.

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**Officer Recommendation**

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

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**Background**

Council officers have been providing updates on the status of the audit of the 2016/17 financial reports with the Office of Local Government (OLG) as OLG approval for an extension to the lodge the audited 2016/17 Financial Reports expired on 30 September 2018. Whilst no further extension has been provided, Council continues to update the OLG on the progress of the audit.

In discussion with the Audit Office NSW council officers are addressing issues relating to the balance sheet raised during the course of audit and these issues include requirements to reengage external valuation services.

It is also noted that due to the extended delays in finalising the 2016/17 financial reports, the completion of the 2017/18 financial reports and associated audit will also be delayed. Council has received an extension approval from the OLG for lodgement of 2017/18 financial reports until 28 February 2019.

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**Attachments**

Nil

## **Risk & Audit Committee**

**22/11/2018**

Item No	5.6
Subject	<b>Final Management Letter for Former City of Botany Bay Council (2015-16 Financial Statements)</b>
Report by	Matthew Walker, Manager Finance
File	SC18/1277

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## **Summary**

The final management letter for Former City of Botany Bay Council for the 2015/16 Financial Statements be presented to the Risk & Audit Committee.

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## **Officer Recommendation**

- 1 That the attachment to this report be withheld from the press and public as it is confidential for the following reason:  
  
With reference to Section 10(A) (2) of the Local Government Act 1993, the attachment relates to(a) personnel matters concerning particular individuals (other than Councillors), or (e) information that would, if disclosed, prejudice the maintenance of law. It is considered that if the matter were discussed in an open Council Meeting it would, on balance, be contrary to the public interest due to the issue it deals with personnel matters concerning particular individuals and information that would, if disclosed, prejudice the maintenance of law. It is considered that if the matter were discussed in an open Council Meeting it would, on balance, be contrary to the public interest due to the issue it deals with.
  - 2 That the final management letter for Former City of Botany Bay Council for the 2015/16 financial statements be received and noted.
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## **Background**

The final management letter for Former City of Botany Bay Council for the 2015/16 financial statements be presented to the Risk & Audit Committee. The management letter outlines the major issues found during the course of the audit and Council's management response to these issues.

Council's Audit Director, Mr David Nolan, Audit Office of NSW, will be in attendance at the meeting to provide further details and/or clarification of audit matters raised in the final management letter.

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## **Attachments**

Final Management Letter Former City of Botany Bay Council 2015/16 (confidential)

**Risk & Audit Committee**

**22/11/2018**

Item No	5.7
Subject	<b>Strategic &amp; Operational Risk Registers</b>
Report by	Fausto Sut, Manager Governance and Risk
File	F13/418

**Summary**

This report provides an overview of Council’s Strategic and Operational Risk Registers.

Council has currently 32 risks in its Strategic Risk Register. Of these, seven (7) risks have a residual risk rating of High or above (attached). One (1) new risk has been entered into the Register relating to contamination of land. It has an initial residual risk rating of High. In addition, three (3) risks have been moved to ‘implemented but under Executive Review’ and continue to be monitored for any change. While two (2) further risks (with a residual risk rating of low) have been closed. The attachment contains an extract of the Strategic Risk Register with risks rated HIGH or above.

Since the last report, Council has engaged a consultant to migrate both Registers into PULSE (i.e. a software application with various modules, including risk management) and at the same time review and cleanse the Operational Register Risk. It is anticipated this work will be concluded in time for the February Committee meeting.

**Officer Recommendation**

That the report on Council’s Risk Registers be received and noted.

**Background**

**Strategic Risk Register**

Council regularly reviews its strategic risks in accordance with its Enterprise Risk Management Strategy. Currently, there are 32 risks identified and noted on the Strategic Risk Register. An overview of the Strategic Risk Register and changes since the last report are summarised in the Table below:

*Table 1 – Strategic Risk Register*

Item	August 2018	November 2018	Reference
Total Number	33	32	
Closed	1	2	EN17.14 & .15
New	0	1	EN18.03
Status change	0	3	EN17.06, 08, 40
Residual Rating change	0	0	
Due Date change	0	1	EN17.50

The due date for risk item EN17.50, “change in direction caused by political influence” has been pushed out to the next Local Government elections i.e. September 2020 as the

Executive and Leadership Team continue to engage proactively with Councillors to manage this risk. The new risk is detailed below.

### **New Risk**

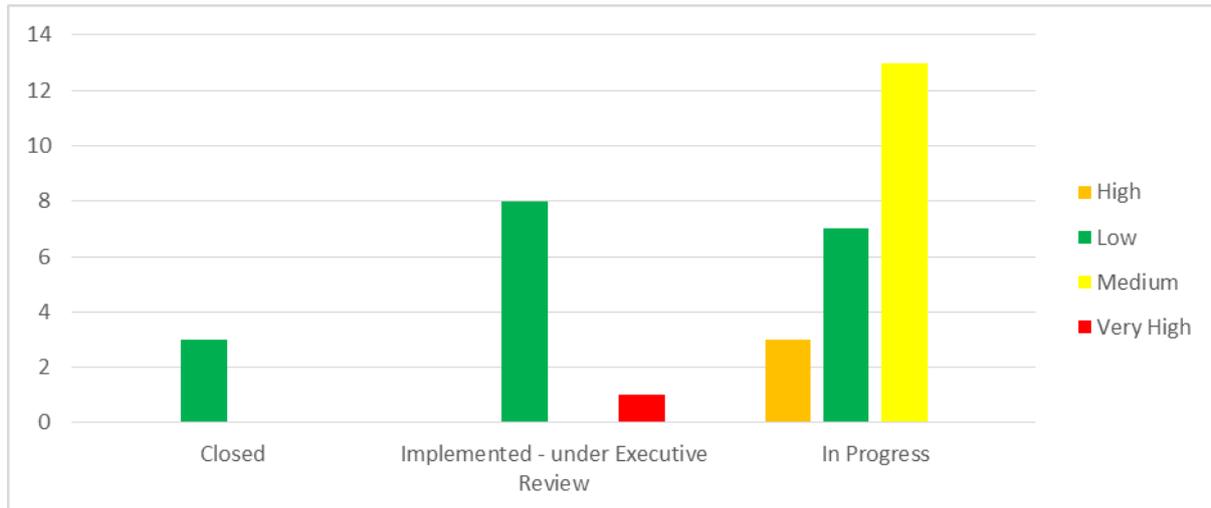
The risk around contamination has been included in the Strategic Risk Register as a conservative measure given the current investigations underway. It is expected that as more definite information is obtained, the status of the risks as strategic or operational, and residual risk ratings will be refined. The risk and treatments cover the general issue of contamination across the local government area as well as specific known sites i.e. those under EPA notice i.e. Cooks Cove and Kendall Street Reserve.

An extract from the risk register follows.

Risk No.	Description	Treatments	Residual Risk Rating	Comments
EN_18_03	Council failures to properly access and/or address the potential contamination issues on land owned by or under the care and control of Council. Owned at Kendall Street Reserve Sans Souci.	<ol style="list-style-type: none"> <li>1 Remediation and Management Strategy required for Kendall Street site and undertake additional testing on adjoining properties.</li> <li>2 Landfill Gas Management Plan for Cook Cove site and additional testing on adjoining properties.</li> <li>3 General scan of landfill sites and identification of any remedial action.</li> </ol>	<b>High</b>	<p><b>New Risk</b></p> <ol style="list-style-type: none"> <li>1 Executive Committee has directed a desktop review of the known sites to be undertaken and a report back on recommended actions.</li> <li>2 Executive Committee has directed additional investigation works to be undertaken and report back with findings and recommendations on known contaminated Council land owned at Kendall Street Reserve Sans Souci and potential landfill gas migration on Council owned/controlled land at Cooks Cove</li> </ol>

Table 2 shows the residual risk ratings within each status category including closed. Other than those closed, all risks have “treatments” in progress or implemented but under review.

Table 2 - Status



Attached to this report is an extract of the Strategic Risk Register showing the residual risks to a rating of 'HIGH'.

### Operational Risk Register

At the last meeting of the Committee, it was reported that a baseline Draft Operational Risk Register has been prepared, which is to be reviewed.

Both the Strategic and Operational Risk Registers, the latter being in draft form, will be migrated to the risk module of PULSE software application framework by February 2019, enabling improved visibility and reporting. A consultant has been engaged to undertake this work. As part of the engagement, it is intended that the register is reviewed and updated with Business Units to reflect the current Operational Risk environment. This work will also finalise four (4) outstanding legacy internal audit recommendations.

### Attachments

Attachment Bayside Strategic Risks Register Extract to High Risks Nov 2018 ARC [↓](#)

Risk No.	Description	Treatments	Mitigation Assigned to	Residual Risk Rating	Due Date	Status	Comments
EN_17_59	Council may lack the ability to manage emergent risks associated with large crowds of people in public spaces within the LGA	<ul style="list-style-type: none"> <li>* deployment of temporary barricades / heavy vehicles</li> <li>* deployment of additional security personnel</li> <li>* collaboration with Police and other Government agencies</li> <li>* collaboration with proprietors of properties adjoining public spaces concerning additional security measures during events</li> <li>* Monitor changing security requirements and reconsider risk appetite position if necessary</li> </ul>	<p>Head of Communications and Events</p> <p>Manager Recreation and Community Services</p>	Very High	30/06/2018 ongoing review	Implemented under Executive Review	<p><b>Update November 2018 MGR</b> Specialist risk consultant engage to assist in writing events plans to new requirements. Continuing consultation with Police and other relevant authorities in maintain currency on legislation and best practice for major events planning.</p> <p>Previous Comments: All controls implemented and monitored. A Risk Management Plan is prepared for each event.</p> <p><b>GM: 13/02/2018: Residual risk reduced from EXTREME.</b> Positive feedback received from Police concerning NYE Fireworks.</p> <p><b>Comment - May 2018</b> A Risk Management Plan is tailored to fit the requirements of each major event in the community. Council has been recognised with Good Practice Award for NYE Event. The trend with each event each year is that security requirements and measures increase with corresponding increases in resources loads and costs.</p> <p><b>Crowded Places Strategy - Implementation progress:</b> Council has examined 3 key sites using recognised Australian Nation Security Strategy Self-Assessment tool: Mascot Station Precinct, King Street Mall, Brighton Le Sands. Each site scored below threshold for reporting to NSW Police for action. Council will implement measures to deter the threat of hostile vehicle attacks in each of these locations in the 18/19 financial year.</p> <p><b>Director City Life Aug 2018:</b> Some applications and proposals from community groups are for events in these high risk locations public places &amp; their risk management planning is often not adequate. This is creating challenges for officers in assisting event organisers prepare their applications, risk management plans, obtain insurance and other event facilities such as rubbish removal, road closure etc.</p>

EN_17_03	The inability of the organisation to deliver, and embrace new integrated technology platforms and business applications	<ul style="list-style-type: none"> <li>* Ensure project is resourced with a dedicated highly skilled project lead and resources;</li> <li>* Recruit and maintain dedicated risk management for strategic projects;</li> <li>* Implement and maintain regular reporting to Executive (weekly) of strategic project status</li> </ul>	Director City Performance	High	31/12/2017 31/12/2018	In Progress	<p><b>Update November 2018</b>  <b>Regular reporting to IMT Steering Committee.</b></p> <p>Previous Comments:                  DCP 31/1/18                  * Initial harmonisation of Integrated Platform completed                  * Refinement from RCC data centre to GovDC now in progress which is anticipated to be completed during 4th quarter cal 2018                  Comment - May 2018                  On target for implementation by due date of 31/12/18. Refinements of local server environments progressing satisfactorily. Redundant communication links between major locations being established.                  Residual rating unchanged with improving outlook                  Director City Performance August 2018: Delivery of Integrated Applications Environment by target completion date remains on track.</p>
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EN_17_42	Failure of Infrastructure * a major unit of infrastructure may fail unexpectedly and / or catastrophically	* Implement SAM on Technology One System; * Implement enhanced asset management/ budget management and reporting processes to improve strategic asset management performance * Active participation in development of LEMP * LEMO * Reliance on State and / or Federal Emergency Disaster Relief Funding * lobbying for State and Commonwealth funding for new and upgraded infrastructure	Manager City Infrastructure	High	31/12/2018	In Progress	<p><b>Update November 2018 MGR</b> Strategic Asset Management Committee meeting regularly and report to the Executive.</p> <p>Previous Comments: DCP 31/1/18 Project Formation stage for development of SAM solution using Tech1 system. Will occur in conjunction with Long Term Financial Plan Project which has been commissioned to develop 10 year Enterprise budget for Council linked to SAM in longer term Comment - May 2018 This complex risk is being monitored and requires the blending of information from Long Term Financial Planning, Strategic Asset Management systems and budget linkages. Solutions will require strategies for alternative funding options in the event of catastrophic infrastructure failures. Director City Performance August 2018: We have delivered an initial Asset Management Strategy and Long Term Financial Plan which is expected to be adopted by Council as part of the overall resourcing strategy in August 2018. It is recognised that these plans will require continuous development to reach a higher level of maturity. This will be complemented by the TechnologyOne Post-Implementation Review that is currently being undertaken and which is expected to provide recommendations and a roadmap for the integration of our Asset Management Systems with our Financial Management Systems. In addition, City Futures is leading the initiation of a Strategic Asset Management Committee which will comprise Key Asset Management stakeholders and Finance representatives that are focussed on improving Council's overall approach towards asset management.</p>
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EN_18_03	Council failures to properly access and/or address the potential contamination issues on land owned by or under the care and control of Council. owned at Kendall Street Reserve Sans Souci	1. Remediation and Management Strategy required for Kendall Street site and undertake additional testing on adjoining properties 2. Landfill Gas Management Plan for Cook Cove site and additional testing on adjoining properties. 3. General scan of landfill sites and identification of any remedial action.	Manager Strategic Planning	High	30/06/2019	In Progress	<p><b>New Risk</b></p> <p>1. Executive Committee has directed a desktop review of the known sites to be undertaken and a report back on recommended actions.</p> <p>2. Executive Committee has directed additional investigation works to be undertaken and report back with findings and recommendations on known contaminated Council land owned at Kendall Street Reserve Sans Souci and potential landfill gas migration on Council owned/controlled land at Cooks Cove</p>
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## Risk & Audit Committee

22/11/2018

Item No	5.8
Subject	<b>Confidential - Liability Claims Performance Overview</b>
Report by	Doris Lum, Risk and Claims Officer
File	F08/85

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### **Confidential**

The matters in this report are confidential, as it is considered that it is in the public interest that they not be disclosed to the public. In accordance with the Code of Conduct, the matters and the information contained within this report must not be discussed with or disclosed to any person who is not a member of the meeting or otherwise authorised.

**Risk & Audit Committee**

**22/11/2018**

Item No            5.9  
Subject            **Committee Meeting Schedule for 2019**  
Report by         Fausto Sut, Manager Governance and Risk  
File                SF17/2386

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**Summary**

This report proposes a meeting schedule for Bayside Council's 2019 Risk & Audit Committee meetings.

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**Officer Recommendation**

- 1     That the proposed meeting schedule be considered by the Risk & Audit Committee.
  - 2     That the meeting schedule be approved and endorsed by the Risk & Audit Committee if satisfied with the proposed times.
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**Background**

The current practice of four meetings per year being on the last Thursday of the relevant month has been the basis for the proposed meeting schedule for the ordinary Risk & Audit Committee meetings in 2019 as follows:

28 February 2019	-	6:30 pm to 8:30 pm
23 May 2019	-	6:30 pm to 8:30 pm
22 August 2019	-	6:30 pm to 8:30 pm
28 November 2019	-	6:30 pm to 8:30 pm

Extraordinary meetings will be held on a need to basis and the Committee will be advised of these meetings in advance. It is anticipated that an extraordinary meeting may be required to consider the draft financial statements to be submitted for audit given the timing of the audit and preparation of the accounts.

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**Attachments**

Nil