

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 28 February 2019 at 6.30 pm.

AGENDA

ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

1

	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	APOL	LOGIES					
3	DISC	LOSURES OF INTEREST					
4	MINU	TES OF PREVIOUS MEETINGS					
	4.1	Minutes of the Extraordinary Risk & Audit Committee Meeting - 31 January 20193					
5	REPO	DRTS					
	Internal Audit (Internal Auditor)						
	5.1	Outstanding Internal Audit Recommendations7					
	5.2	Internal Audit Plan Update42					
	5.3	Risk & Audit Committee Charter - Alignment to Model Guidelines46					
	Exter	nal Accountability (Manager Finance)					
	5.4	2016/17 Draft Final Management Letter49					
	5.5	Project 2020 Update50					
	Exter	nal Audit (Manager Finance)					
	5.6	Draft Interim IT Audit Management Letter - 30 June 201857					
	Intern	nal Control Framework (TBA)					
	5.7	Health Check - Validation Reports58					

Risk Management (Manager Governance and Risk)

- 5.8 Risk Registers Review and Update209
- 5.9 Liability Claims Performance Overview......316

Legislative Compliance (Manager Governance and Risk)

Nil.

Performance Management (Manager POC)

Nil.

Quality Management (TBA)

Nil.

- **6 GENERAL BUSINESS**
- 7 NEXT MEETING

Meredith Wallace General Manager



Item No 4.1

Subject Minutes of the Extraordinary Risk & Audit Committee Meeting - 31

January 2019

Report by Fausto Sut, Manager Governance & Risk

File SF19/208

Officer Recommendation

The Minutes of the Extraordinary Risk & Audit Committee meeting held on 31 January 2019 be confirmed as a true record of proceedings.

Present

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

Also Present

Meredith Wallace, General Manager
Michael Mamo Director City Performance
Fausto Sut, Manager Governance & Risk
Matthew Walker, Manager Finance
Councillor Dorothy Rapisardi
David Nolan, Director Financial Audit Services - Audit Office of NSW

The Chairperson opened the meeting in the Pindari Room, Rockdale Town Hall at 6:30pm.

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

There were no apologies received.

3 Disclosures of Interest

There were no disclosures of interest.

4 Minutes of Previous Meetings

4.1 Minutes of the Risk & Audit Committee Meeting - 20 December 2018

Committee Recommendation

- 1. The Minutes of the Risk & Audit Committee meeting held on 20 December 2018 be confirmed as a true record of proceedings.
- 2. That outstanding Actions from previous meetings be updated

Item	Action	Responsible Officer
24/05/18 5.6	The Manager Procurement provides a copy of the Procurement Guide to all Committee members.	Manager Procurement
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
22/11/18 5.1	An annual report of the Risk & Audit Committee will be prepared for the February 2019 meeting.	Committee Chair
20/12/18 5.2	BDO to provide suggestions on updates for Committee Charter to reflect Office of Local Government draft changes to guidelines.	Steve Kent - BDO
20/12/18 6.1	Standing agenda items for future committee meetings be aligned to Committee Responsibilities as outlined in Section 4 of Risk & Audit Committee Charter, with each Responsibility area allocated an identified responsible officer.	Manager Governance & Risk
31/1/19 5.3	That a copy of the presentation on Project 2020 be provided to all Committee members	Manager Finance

5 Reports

5.1 Modified Statements by Councillors and Management for Bayside Council 2016/17 Financial Reports

Committee Recommendation

That the Risk & Audit Committee receive and note the modified statements by Councillors and Management for the Bayside Council 2016/17 Financial Reports.

5.2 Draft Audit Report and Client Service Report for Bayside Council 2016/17 Financial Reports

Committee Recommendation

- 1 That the reports 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 matters that 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.
- That the draft audit report and draft client service report for Bayside Council 2016/17 financial reports be received and noted.

5.3 Draft Project Plan to remediate the 2016/17 Audit Disclaimer of Opinion (Project 2020)

Committee Recommendation

- That the Risk & Audit Committee note the receipt of the final 2016/17 Financial Statements Client Service Report dated 24 January 2019.
- That the Risk & Audit Committee note Council's establishment of Project 2020 to coordinate the program of work required to address the audit issues and prepare the two years of Financial Statements (2017/18 and 2018/19).
- That the Risk & Audit Committee note management is meeting with the NSW Auditor General to establish the audit programs for finalisation of the 2017/18 and 2018/19 Financial Statements.
- That the Risk & Audit Committee note that the approach to finalising the 2017/18 Financial Statements is unlikely to result in the removal of the Disclaimer of Audit Opinion, due to the following factors:

- 4.1 A number of Audit issues identified in the 2016/17 Financial Statements Client Service Report (received January 2019) continue to impact the 2017/18 financial year of operations and financial statements.
- 4.2 Timing and extent of work required to address issues.
- That the Project Plan be abridged for reporting and monitoring purposes based on key timeframes and accountabilities.
- That the Project Plan progress and reporting be subject to periodic review and reporting by the Internal Audit.
- 7 That the staff be congratulated for their efforts in producing a Project Plan of high quality, detail and thoroughness.

6 General Business

There was no General Business.

7 Next Meeting

That the next meeting be held in the Pindari Room, Rockdale Town Hall at 6:30pm on 28, February 2019 with the members to meet at 5pm.

The Chairperson closed the meeting at 7:50 pm.

Attachments

Nil



Item No 5.1

Subject Outstanding Internal Audit Recommendations

Report by Fausto Sut, Manager Governance & Risk

File F17/535

Summary

Internal Audit (through BDO) as part of the Internal Audit Plan validated Council's responses to the implementation of both the ICAC and Auditor General's recommendations. BDO has completed both audits and the reports are attached. The ICAC has responded favourably to the strong progress. The outstanding recommendations and actions have been entered into the PULSE corporate reporting system and will continue to be monitored and reported. All internal legacy recommendations and future internal/external audit recommendations will also be monitored and reported through PULSE. This work is currently underway and will be completed by the next Committee meeting.

Officer Recommendation

That the internal audit reports validating Council's response to the implementation of the ICAC and Auditor General recommendations be received and noted.

Background

Council has been progressing the implementation of recommendations of the ICAC and Auditor General. The Risk & Audit Committee, in adopting the Internal Audit Plan 2018/19 agreed to a validation audit of Council's response. BDO was engaged to undertake the audit and its reports are attached. Both reports verify Council's progress in implementation. In future, progress reports will be generated through the PULSE system and reported to the Committee. This will include the legacy internal audit recommendations.

Attachments

- 1 Review of Auditor General's Audit Recommendations as per 2016-17 Audit Management Letters February 2019 Final by BDO_

 ...
- 2 BDO Report Independent Audit of Implementation and Action Plan report J.

Item 5.1 7

BAYSIDE COUNCIL (BC)

Review of AG's Recommendations as per 2016-17 Management Letters

February 2019





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

Bayside Council - Review of AG's Recommendations as per 2016-17 Management Letters - February 2019

Page 2

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



TABLE OF CONTENTS

1 1	Executive summary	5
1.1	1 Background	5
1.2	2 Purpose and scope	5
1.3	3 Approach	5
1.4	4 Key findings	5
1.5	5 Acknowledgement	7
1.6	6 Report clearance	7
2 1	Detailed finding 1 Segregation of Duties for Payroll Processing	8
Appei	endix A - Detailed AG's Recommendations Progress Update	10
Appe	endix B: Listing of Bayside Stakeholders interviewed	18
Appei	endix C: Bayside Council's Risk Assessment Matrix	19

Bayside Council - Review of AG's Recommendations as per 2016-17 Management Letters - February 2019

Page 3

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



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 December 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.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 4

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



Executive summary

1 Executive summary

This internal audit of the AG's recommendations made in the 2016-17 Management Letter is being undertaken as part of Bayside Council's (BC) Approved Internal Audit Plan for the year ending 30 June 2019.

1.1 Background

A management letter was issued from the 2016-17 financial statement audit for Bayside Council (BC). The management letter contained matters of governance interest identified during the audit and matters the Auditor-General (AG) is required to communicate under the Australian Auditing Standards.

The Management Letter identified issues with recommendations that will be addressed by BC's management.

1.2 Purpose and scope

The purpose of this internal audit was to review the progress of implementation of the AG's recommendations made in the 2016-17 Management Letter.

The scope of the internal audit was limited to the AG recommendations in the 2016-17 Management Letter. The internal audit covered the actions implemented related to the recommendations, focusing on the completed actions for verification and an update on the status of the ongoing actions.

1.3 Approach

The following approach was undertaken during the internal audit:

 Obtained the AG's recommendations in the 2016-17 Management Letter and reviewed the progress to date;

- Interviewed BC personnel responsible for the implementation of actions refer Appendix B);
- Examined relevant documentation and/or sighted physically completed implementations to determine actions completed or in-progress;
- Reviewed AG's recommendations and cross checked to the ICAC recommendations that have a similar impact;
- Risk rated finding in accordance with Bayside's risk rating matrix (refer Appendix C);
- Conducted an exit meeting with the relevant Council's staff following completion of the fieldwork to discuss:
 - Our findings;
 - Recommendations for control improvements in relation to those findings;
 - Management's response to our findings and recommendations;
 and
- Prepared draft and final reports for Management's consideration.

1.4 Key findings

As indicated above, this internal audit assessed the progress of the AG's recommendations made in the 2016-17 Management Letter and provides an update on the status of implementation. Overall, good progress has been made but there are a reasonable number of items to be fully implemented.

A summary of the status of implementation for the AG's recommendations is presented in the table below (refer to Appendix A for further details of the status of implementation):

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 5

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



Executive summary

Status of implementation	
Completed	27
Partially Completed	13
Not Started	5
Will not be implemented	1
Total Recommendations	46

Breakdown of the status by the recommendation's issues category is shown in the following table:

Issue Category	No. of Recommendations	Status
Approval of Journals	4 Recommendations	3 Completed 1 Recommendation will not be implemented
Accounts Payable	5 Recommendations	3 Completed 1 Partially completed 1 Not started
Payroll	5 Recommendations	2 Completed 3 Partially completed
Review of Reconciliation	1 Recommendation	1 Partially completed
Accounting Procedure Manual	2 Recommendations	1 Completed 1 Partially completed

Issue Category	No. of Recommendations	Status
Underground Fuel storage tanks at Bexley Depot	5 Recommendations	5 Completed
Fixed Assets	2 Recommendations	2 Not started
Review of user access rights	2 Recommendations	1 Completed 1 Not started
Lack of complete contract register	4 Recommendations	2 Completed2 Partially completed
Grants and contributions	4 Recommendations	1 Completed 2 Partially completed 1 Not started
Review of accruals and provisions for bad and doubtful debts	2 Recommendations	2 Completed
Rental System (REST)	3 Recommendations	2 Completed 1 Partially completed
Stocktake processes	2 Recommendations	2 Completed
Investment	5 Recommendations	3 Completed2 Partially completed

Based on the internal audit of the follow up of the AG's recommendations, audit cross referenced the AG's recommendations which were also addressed in the action taken in the ICAC's recommendations. There was a

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 6

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



Executive summary

total of 7 AG's recommendations which were addressed in the ICAC's recommendations (refer to Appendix A).

We noted an opportunity to enhance the internal control framework in relation to payroll processing. The key finding is presented below and in detail in Section 2 of this report:

 Section 2.1 - There is a lack of segregation of duties; the Payroll Coordinator who processes payroll also has access to create new employee in the system (Risk: Very High)

1.5 Acknowledgement

We would like to take this opportunity to thank all Council staff for their cooperation and assistance during the course of our internal audit.

1.6 Report clearance

The contents of this report have been discussed and agreed with Manager People and Organisational Culture, Manager Finance, Manager Governance and Risk, Manager Procurement, Manager IT and other relevant key stakeholders.

Yours sincerely

Sean Pascoe

Partner, BDO Risk Advisory

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 7

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



Detailed finding

Very High

Risk Rating

2 Detailed finding

2.1 Segregation of Duties for Payroll Processing

Observations

The Human Resources Section collects employee information and sets them up in the Payroll system and the Payroll Section processes the payroll. Based on our discussions and verification activities with the Coordinator Applications and Coordinator, Payroll, it was noted the Coordinator, Payroll has master access to the Payroll system to create employees and process their pay.

Risk and Implications

There is an increased risk of fraud related to payroll processing when there is a lack of segregation of duties where the Payroll personnel also have access to create new employees in the Payroll system.

Recommendation

We recommend that Payroll

R1. Remove the access of the Coordinator, Payroll for employee creation in the payroll system.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 8

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



Detailed finding

Management Comments	Officer responsible for action	Target Completion Date
R1. Particular access in the iCHRIS for the Coordinator, Payroll will be removed. The coordinator Payroll will not be able to make any changes in the DET screen or create a new starter which is created in the DET screen.	Manager, People and Organisational Culture	25 January 2019
The Coordinator, Payroll will have restricted access in the ATT screen. The restricted access relates to the		
DET screen only. The Coordinator Payroll will no longer access the USR screen.		

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 9

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



Appendix A

Appendix A - Detailed AG's Recommendations Progress Update

No	Issue	Recommendation	Responsible Staff	Management Response	Audit Comment (audit work performed from 20 Dec 2018 to 17 Jan 2019)	ICAC Recommendation Action Ref
1	Approval of Journals	The accounting system should be modified to ensure that journal entries cannot be made without being reviewed by an independent senior officer.	Manager IT	The authorisation setting in the TechOne is being configured such that only Accountants, Coordinators or the Manager Finance can input journals. This control is hard coded and cannot be circumvented other than by the System Administrator and with proper authority.	Completed. Journals require approval before being posted. The journals are work flowed in TechOne for approval before posting.	N/A
2	Approval of Journals	Evidence of this review should be captured and documented.	Manager Finance	Journals will be manually input into a predefined template, then printed and filed in the journal book. The control is that no journal can be processed without the signature of the Accountant determining the journal and approval of the Coordinator Financial Accounting, the Coordinator FP&A or the Manager Finance	Completed. Journals go to Coordinator or Finance Manager for review. This was in operation since July 18. The journals are work flowed in TechOne for approval.	N/A
3	Approval of Journals	The review should also ensure that there is adequate supporting documentation attached to the journal so that it is clear why the journal entry is being made.	Coordinator Financial Accounting	Journals will be adequately narrated and supported by sufficient documentary evidence, either through a printout attached or aTrim reference noted on the journal page.	Completed. In TechOne attachment and narration is mandatory.	N/A
4	Approval of Journals	All journal entries made during the period 9/9/16 to 30/6/17 should be reviewed and approved by a more senior officer than the poster to ensure that they are appropriate.	Coordinator Financial Accounting	Noted, this will be undertaken by Coordinator Financial Accounting for 2016-17. The Coordinator Financial Accounting will conduct this review monthly for 2017-18.	Recommendation will not be implemented. Finance analyse the amount of journals for the period 9/9/16 to 30/6/17 and it is not cost effective to review and approve past journals. Finance has decided not to review and approve past journals. However, the review and approval of journals had commenced in July 2018.	N/A
5	Accounts Payable	Appropriate segregation of duties should be designed and implemented over the procurements/payables function.	Manager IT	Segregation is in place for the vendor Masterfile. Procurement are the only unit permitted to add, delete or modify vendors. Accounts payable are the only unit permitted to enter or modify creditor invoices and initiate payment runs.	Completed. Audit reviewed the user profile for Accounts Payable and Procurement to ensure that there is segregation of duties. The Vendor Masterfile is only accessible by the Procurement Team.	This response was addressed in the ICAC recommendation action (Action ID A.1.1.2.1) and assessed as completed in Dec 18.
6	Accounts Payable	System access should be restricted based on appropriate segregation of duties.	Manager IT	Access profiles and roles have been reengineered such that only Procurement staff are able to make vendor Masterfile changes and only Accounts Payable staff are able to enter invoices with all other parties being specifically blocked at the system level. All parties will still be able to make enquiries.	Completed. Audit reviewed the user profile for Accounts Payable and Procurement to ensure that there is segregation of duties.	This response was addressed in the ICAC recommendation action (Action ID A.1.1.2.1) and assessed as completed in Dec 18.
7	Accounts Payable	Audit reports or logs over vendor master file changes should be maintained and reviewed by an officer independent of the process.	Manager Procurement	A Procurement Officer and the Procurement Manager are required to approve all new suppliers. Our process is that the Internal Auditor will review Masterfile changes on a monthly basis. A report has been produced which logs all changes.	Partially completed. A form had been set up where a secondary signature is required when there is a change in the supplier details. Manager Procurement has commenced checking master file changes monthly. The Internal Auditor will be back in Jan 19, where the review of the Masterfile changes will be conducted from the 3rd quarter of the financial year (Jan to Mar 19).	N/A
8	Accounts Payable	Evidence of this review should be maintained as a record.	Internal Auditor	The Internal Auditor will maintain evidence of this review and file this in Trim.	Not started. The Internal Auditor will be back in Jan 19, where this recommendation will be implemented in the 3rd quarter of the financial year (Jan to Mar 19).	N/A

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 10

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



Appendix A

No	Issue	Recommendation	Responsible Staff	Management Response	Audit Comment (audit work performed from 20 Dec 2018 to 17 Jan 2019)	ICAC Recommendation Action Ref
9	Accounts Payable		Project Manager Business Process & Controls	Process mapping of Accounts Payable workflow has commenced	Completed. The Accounts Payable workflow and procedures was developed and finalised.	This response was addressed in the ICAC recommendation action (Action ID A.1.1.1.1) and assessed as partially completed in Dec 18.
10	Payroll	Appropriate segregation of duties should be designed and implemented over the HR/Payroll function.	Manager POC	As a segregation of duties, POC collect employee data and set up the employee in the payroll system (Chris21) independent of payroll. Payroll then check employee data against the source documents.	Partially Completed. Employee data is created and setup up by HR in iChris and Payroll checks and verifies the information. The creation of an employee in the system and payroll processing is segregated. However, through our audit work, it was noted that the Payroll Coordinator currently has master access to iChris for HR and Payroll, which allows the Payroll Coordinator to create a new employee and process payroll. (Refer to Section 2.1)	N/A
11	Payroll	System access should be restricted based on appropriate segregation of duties.	Manager IT	Payroll staff are not able to set up employee personal details. POC staff are not able to process payroll.	Partially Completed. Employee data is created and setup up by HR in iChris and Payroll checks and verifies the information. The creation of an employee in the system and payroll processing is segregated. However, through our audit work it was noted that the Payroll Coordinator currently has master access to iChris for HR and Payroll, which allows the Payroll Coordinator to create a new employee and process payroll. (Refer to Section 2.1)	N/A
12	Payroll	Audit reports or logs over Payroll master file changes should be maintained and reviewed by an officer independent of the process.	Manager People Organisation & Culture	The Payroll Coordinator, who cannot process payroll, will review the "ADP" audit report weekly which shows all masterfile changes to employee details with random sampling taken and checks made against originating documentation.	Completed. Audit trail reports are run on weekly basis and reviewed and signed by payroll staff who were not involved in the establishment/changes to employee information. However, this review is performed post-pay run. Timing of this review has proactively been changed and will now be performed before the pay run is executed. (Refer to follow up Health Check performed on Payroll in Dec 18)	N/A
13	Payroll	Evidence of this review should be maintained as a record.	Manager People Organisation & Culture	All audit reports and end of week payroll processing reports are to be stored inTrim. Evidence of random samples also scanned into Trim, (ie) as a validation on the audit report.	Completed. Payroll Audit reports are checked by the Payroll Coordinator and filed in a secure folder and in TRIM. The Payroll Coordinator supervises the payroll staff and does not performed payroll data entry. The Payroll Audit report is generated for changes to staff details, terminations, salary, allowances, deductions, super and bank details.	N/A
14	Payroll	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	Time sheets are to be reinforced for each relevant function and these are kept by managers across Council and forwarded to payroll for applicable staff. A later phase of the payroll system project is implementing electronic time and attendance records, (currently being scoped).	Partially Completed. On a weekly basis, a leave planner is sent to the Managers to check if all leave is being capture (for indoor staff). Leave planner has annual leave for staff. The Manager checks to attendance sheet. HR21 (module within iChris) will be introduce in Feb 2019.	N/A

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 11

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



Appendix A

No	Issue	Recommendation	Responsible Staff	Management Response	Audit Comment (audit work performed from 20 Dec 2018 to 17 Jan 2019)	ICAC Recommendation Action Ref
15	Review of reconciliations	An officer independent of the preparer should review general ledger reconciliations every month	Coordinator Financial Accounting	All reconciliations will be reviewed by the Coordinator Financial Accounting on a monthly basis. The Coordinator will also have a checklist and monitor allocation, timing and material reconciliation items for discussion with the Manager Finance. All reconciliations will be filed and stored for access in a specific Trim location. The Manager Finance will be required to meet monthly with the Director to discuss material reconciliation items. Reconciliation items will be addressed monthly and corrective actions will also be discussed with respect to systemic issues that need to be resolved. The adjustment of items identified in reconciliations will be subject to the delegated authorities.	Partially Completed. The Finance Officers prepare the balance sheet reconciliation, and reviewed by the Coordinators. The status of the reconciliation is updated into the Reconciliation cover sheet. Audit reviewed the Reconciliation Cover sheet for Sept and Oct 18 and noted that not all reconciliations status is updated. The process of updating is still ongoing and is to be completed for 2018-19. However, the framework is completed and in place to ensure that preparing and reviewing of the reconciliation will take place. On the 10th of every month, the Coordinator will present the status of the reconciliation to the Finance Manager and General Manager.	This response was addressed in the ICAC recommendation action (Action ID A.2.1.4) and assessed as partially completed in Dec 18.
16	Accounting procedures manual	An Accounting Procedures Manual should be developed for the Council	Manager Finance	In response to the ICAC recommendations in operation Ricco, Bayside has embarked on a sustainable process and controls environment project (Project Ricochet). An output of this project is the development of documented processes and controls which will form the basis of an Accounting Procedures manual. The manual will also incorporate instructions for module use in the various systems and outline responsibilities and accountabilities.	Partially Completed. Core procedures for ICAC have been completed, but have not completed a formal accounting manual related to AG recommendations.	This response was addressed in the ICAC recommendation action (Action ID A.1.1.1.1) and assessed as partially completed in Dec 18.
17	Accounting procedures manual	Procedures should be designed to ensure that there are adequate internal controls including segregation of duties	Manager Finance	The sustainable process and controls environment project will also consider and implement adequate segregation of duties as a key control element.	Completed. Audit reviewed the Organisation Chart and verified that a Procurement function had been setup. Audit verified through sample testing to confirm that segregation of duties exist. The procedures developed by EVI consulting included controls associated with segregation of duties. An Accounting Procedures Manual developed included internal control activities related to segregation of duties.	This response was addressed in the ICAC recommendation action (Action ID A.1.1.4.11) and assessed as completed in Dec 18.
18	Underground Fuel storage tanks at Bexley Depot	A consultant should be employed to determine whether or not the tanks are leaking.	Manager Plant & Fleet	Bayside Council reengaged Petrolink Engineering Pty Ltd. In September 2017 a review was undertaken with no leaks being detected within the tank or associated fittings and equipment. Council will continue to undertake six monthly ground water testing through an independent certified agency.	Completed. Petrolink Engineering was engaged to test every 6 months. The last test was performed in Oct 2018.	N/A
19	Underground Fuel storage tanks at Bexley Depot	If the tanks are leaking the Council may have an obligation to report them to the EPA under the Contaminated Lands Act and take remedial action.	Manager Plant & Fleet	Refer to above comments.	Completed. No leaks were detected from the test carried out by Petrolink Engineering.	N/A
20	Underground Fuel storage tanks at Bexley Depot	A review should be undertaken to determine if the underground tanks are still required by the Council.	Manager Plant & Fleet	Bayside Council requires the underground tanks for the heavy and light plant trucks servicing the community, especially for after-hours access.	Completed. The underground tanks are required by Bayside Council for the heavy and light plant trucks servicing the community, especially for after-hours access.	N/A

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 12

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



Appendix A

No	Issue	Recommendation	Responsible Staff	Management Response	Audit Comment (audit work performed from 20 Dec 2018 to 17 Jan 2019)	ICAC Recommendation Action Ref
21	Underground Fuel storage tanks at Bexley Depot	If the tanks are retained, a system of internal controls should be designed, documented and implemented to ensure fuel is accounted for correctly and any shortfalls are identified and actioned.	Manager Plant & Fleet	Bayside Council has full internal controls via Data Fuel management system (records fuel volume within the tanks including usage against asset), which is cross referenced against TechOne fleet management system (records the amount of fuel per asset and records as a stock transaction identifying discrepancies). Both processes are documented within their individual user guidelines including control mechanism.	Completed. The Inventory Management Process and Operational Procedures were documented to ensure that inventory and fuel are managed in an efficient and compliant manner.	N/A
22	Underground Fuel storage tanks at Bexley Depot	Any variances identified during stocktakes should be investigated and resolved in a timely manner.	Manager Plant & Fleet	Bayside Council can now locate discrepancies through the TechOne systems analysis attributes (being fuel type, capacity and odometer readings). Discrepancies are actioned through quarterly fuel stock takes.	Completed. Fuel dips are conducted twice a week by the Store Officer. The Coordinator Fleets Operations and Stores will be notified of any large variances for investigation and resolution.	N/A
23	Fixed Assets	Depreciation should be charged on a monthly basis.	Manager Finance	Depreciation for 2016/17 will be charged at the end of the year. For 2017/18, depreciation will be posted on a monthly basis to ensure meaningful monthly results are prepared for management.	Not started. 2016-17 and 2017-18 depreciation is posted once for the year. Options will be considered in 2018-19 as part of the TechOne PIR. The result of the PIR is currently in the implementation stage. Currently, resources like Solutions Architect and Project Manager have been approved to be engaged. As part of this process, the asset management system will be implemented and an interim solution for the asset register in TechOne will be considered.	N/A
24	Fixed Assets	WIP should be capitalized as it is incurred.	Manager Finance	For 2016/17, WIP will be capitalized at year end. For 2017/18, WIP will be capitalized monthly. In Q1 2017/18. The Finance and Asset teams are collaborating to import detail asset information and componentization to enable monthly posting to be undertaken.	Not started. 2016-17 and 2017-18 WIP was capitalised yearly. The monthly capitalisation of WIP will be considered as part of the TechOne implementation review.	N/A
Refer to 26	Review of user access rights	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	There is a review currently underway with Lanlaus Consulting to align authorizations, limits and accesses with delegated authorities in the TechOne system. This will extended to encompass Pathways, Chris 21 and legacy use of Civica Authority.	Refer to Review of user access rights by Manager Governance (item 27 below). Review to be done with the Internal Auditor. The Internal Auditor will be back in Feb. The review will be implemented in the 3rd quarter of the financial year (Jan to Mar 19).	N/A
25	Review of user access rights	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	The system operation and responsibility workflow for 'starters, movers and leavers' is being designed and will be administered by POC in conjunction with System Administration in IT.	Completed. Emails are being triggered when a change in the acting position - occupancy status. (Nominal and acting position). iChris will trigger an email if the reason is updated as demotion, change in employment status, higher duty, internal transfer, new employee, promotion. Starter/termination email trigger will be sent to IT (On-boarding and Off-boarding). Termination gets triggered by putting in a last day of duties.	N/A

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 13

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



Appendix A

No	Issue	Recommendation	Responsible Staff	Management Response	Audit Comment (audit work performed from 20 Dec 2018 to 17 Jan 2019)	ICAC Recommendation Action Ref
26	Review of user access rights	Management should regularly review user access rights. The review should include validating that user access rights correspond with the current job responsibilities and support adequate segregation of duties	Manager Governance	An audit report will be reviewed independently on a quarterly basis by the Manager Governance to ensure that accesses and delegations are as per requirements. With POC being the initiators of an amendment, Governance being responsible for delegated authorities and IT being responsible for System Admin ensures a high level of segregation of duties.	Not started. The IT department plays a role in reviewing user access rights regularly. However, the review of the user access rights by the Internal Auditor has not started yet, as the Internal Auditor will be back in Feb 19. This recommendation is expected to be implemented in the 3rd quarter of the financial year (Jan to Mar 19).	This response was addressed in the ICAC recommendation action (Action ID A.2.1.15) and assessed as completed in Dec 18. Note: The ICAC recommendation action was review of the user profile by IT department and the AG recommendation action was an independent review by Governance department.
27	Lack of complete contract register	Management should implement a complete centralised contract register for the whole Council The register should include information such as: • details of the contractors, project undertaken or goods and services to be provided • date on which contract became effective and duration of the contract • estimated contract value • information to identify the legal, operational and financial responsibilities and custodians of the contracts	Manager Procurement	As a major development project the Procurement team is in the process of fully implementing a centralized contracts register. This is a module in the TechOne system. Data from both former Councils is currently being collected and analyzed in an Excel spreadsheet and once cleansed, will be imported into TechOne.	Partially Completed. The contract register procedures is currently in draft and will be finalised and implemented by Apr 19. Procurement is currently in the process of cleansing the data. Education and embedding of procedures to commence mid-January 2019. Procurement is currently in the process of cleansing and updating the data. The contract register module in TechOne will be re-launched during 4th Quarter 2018/19 Financial year.	N/A
28	Lack of complete contract register	Management should implement a complete centralised contract register for the whole Council The register should include information such as: • details of the contractors, project undertaken or goods and services to be provided • date on which contract became effective and duration of the contract • estimated contract value • information to identify the legal, operational and financial responsibilities and custodians of the contracts	Manager Procurement	Process mapping is also currently being undertaken to ensure that all roles and responsibilities are clear.	Completed. EVI consulting was engaged to develop the procedures. The process mapping for contract register had been documented together with the roles and responsibilities. Education and embedding of procedures to commence mid-January 2019.	N/A

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 14

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



Appendix A

No	Issue	Recommendation	Responsible Staff	Management Response	Audit Comment (audit work performed from 20 Dec 2018 to 17 Jan 2019)	ICAC Recommendation Action Ref
29	Lack of complete contract register	Management should implement a complete centralised contract register for the whole Council The register should include information such as: • details of the contractors, project undertaken or goods and services to be provided • date on which contract became effective and duration of the contract • estimated contract value • information to identify the legal, operational and financial responsibilities and custodians of the contracts	Manager Procurement	BNG, a credentials checking agency, has also been engage to audit and certify WHS and other compliance requirements for contractors	Completed. Confirmed with the Procurement Manager and the WHS Officer that the BNG contractor services will be used to record the contractor validation criteria checklist. Presently, BC is transitioning to BNG for the validation checks (transferring the contractor data into BNG).	N/A
30	Lack of complete contract register	Management should implement a complete centralised contract register for the whole Council The register should include information such as: • details of the contractors, project undertaken or goods and services to be provided • date on which contract became effective and duration of the contract • estimated contract value • information to identify the legal, operational and financial responsibilities and custodians of the contracts	Manager Procurement	All the recommended information is included in the data collected and the fields provided in TechOne.	Partially Completed. Centralised contracts register is being maintained via Excel Spreadsheet. Improved GIPA compliance and contract reporting required. The contract register module in TechOne will be re-launched during 4th Quarter 2018/19 Financial year.	N/A
31	Grants & contributions	A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by management.	Manager Finance	For 2016/17 grants and contributions have been reconciled at year end.	Completed. The 2016-17 grants and contributions have been reconciled at year end.	N/A
32	Grants & contributions	A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by management.	Manager Finance	For 2017/18 grants and contributions to be reconciled monthly by the Coordinator Rates and Revenue.	Partially Completed. The 2017-18 grants and contributions were not reconciled monthly, but will be reconciled for the year. The reconciliation for 2017-18 is not completed yet, but will be completed as part of the financial report for 2017-18 in February 2019.	N/A
33	Grants & contributions	A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by management.	Manager Finance	During 2nd Quarter of 17/18 Coordinator of Rates and Revenue will develop a centralized grants and contributions register to account for grants and contributions when they are approved.	Partially Completed. A centralised grants and contributions register is being developed and will be implemented in May 2019.	N/A

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 15

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



Appendix A

No	Issue	Recommendation	Responsible Staff	Management Response	Audit Comment (audit work performed from 20 Dec 2018 to 17 Jan 2019)	ICAC Recommendation Action Ref
34	Grants & contributions	A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by management.	Manager Finance	Manager of Finance to review and approve grant movements detailed and reconciled in grants register.	Not started. The Finance Manager does not review and approve grant movements details. An appropriate review process will be developed in conjunction with the development of the centralised grants and contribution register.	N/A
35	Review of accruals and provisions for bad and doubtful debts	Management should review accruals and provisions estimates regularly	Manager Finance	For 2016/17 debtors will be reconciled and the provision for bad and doubtful debts will be approved by management.	Completed. The 2016/17 provision for bad and doubtful debts was approved by management.	N/A
36	Review of accruals and provisions for bad and doubtful debts	Management should review accruals and provisions estimates regularly	Manager Finance	For 2017/18 this review will be undertaken on a quarterly basis.	Completed. The 2017/18 provision for bad and doubtful debts was approved by management.	N/A
37	Rental System (REST)	The Finance team should have access to the REST system.	Manager Property	The Finance team will be provided enquiry only access to the REST system for reconciliation purposes.	Completed. The Revenue Officer is provided with enquiry only access to the REST system.	N/A
38	Rental System (REST)	Considerations should be given to integrating the REST system with the Finance system.	Manager Property	Scoping is in progress for an extension of TechOne system to incorporate the functionality of the REST system	Partially completed. The Manager Property is currently working on the scoping of the Property Management system to integrate with Pathways and TechOne, and to justify the cost of acquiring the system to the Senior Management. The cost-benefit analysis will be presented to the Senior Management in February 2019.	N/A
39	Rental System (REST)	A review should be conducted to ensure the Council is correctly billing the rents it is entitled to.	Manager Finance	A monthly reconciliation will be conducted between the billing for leases and the REST system. A random sample of original documentation will be conducted to ensure the REST system, (and TechOne) contain the correct information	Completed. Monthly reconciliation will not be performed by Finance. EVI consulting performed a review on reconciliation of the REST system. There was issues with the interface from REST to Pathway. Property is currently sourcing for a Property system to integrate with TechOne.	N/A
40	Stocktake processes	The draft Stores Management Manual should be reviewed and updated to require more frequent stocktakes for items subject to theft or loss.	Manager Plant & Fleet	Bayside Council has implemented the TechOne inventory management module. This system provides well controlled stock take checks combined with weekly fuel checks that address's subject theft or loss items/fuel.	Completed. The stocktake process is documented in the Inventory Management Process and Operational Procedures.	N/A
41	Stocktake processes	Duplicated stock number should be removed to increase the overall efficiency of the stocktake.	Manager Plant & Fleet	Bayside Council has performed second stock take with all items listed within the TechOne inventory system. This has removed all duplication which has addressed recommendation.	Completed. Duplicate stock numbers had been removed. The stocktake report does not have any duplicate stock number.	N/A
42	Stocktake processes	Any variance identified during stocktakes should be resolved on a timely basis.	Manager Plant & Fleet	Bayside Council resolved any variance at the last stock take within the TechOne inventory system.	Completed. Stock variances will be resolved on the day of stocktake.	N/A

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 16

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



Appendix A

No	Issue	Recommendation	Responsible Staff	Management Response	Audit Comment (audit work performed from 20 Dec 2018 to 17 Jan 2019)	ICAC Recommendation Action Ref
43	Investments	Due to the size of the Council's Investment portfolio an investment committee should be established to:	Manager Finance	An investment committee will be established.	Partially Completed. An investment process has been reviewed and implemented. However, no final decision have been made on the establishment of the investment committee.	N/A
44	Investments	Set investment strategies including the terms of investments.	Manager Finance	The investment policy and investment strategy will be developed for Bayside, potentially with the assistance of a third party Investment Advisor. This will include maturity limits, risk and diversity of investments.	Partially Completed. An investment policy had been drafted. An independent investment advisor will be appointed to review the policy and strategy. The sourcing will be in Feb 19.	N/A
45	Investments	Review cashflow needs of the Council to ensure that they line up with investments made.	Manager Finance	As part of the operational planning process for 2018/19 and the LTFP, cash flow projections will be produced and the investment strategy will be aligned with the cash flow.	Completed. The investment procedures include the requirement for cash flow analysis as part of investment decisions.	N/A
46	Investments	Review investment performance.	Manager Finance	Investment performance will continue to be reviewed monthly and reported to Council.	Completed. Investment performance is reported to Council on a monthly basis.	N/A
47	Investments	Review and approve new investments.	Manager Finance	New investments will be subject to approval based on limits and placement to ensure that the investment strategy, policy and regulations as to risk, maturity and diversity are being adhered to.	Completed. FM and GM approve investments and these are documented in the investment procedures.	N/A

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 17

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



Appendix B

Appendix B: Listing of Bayside Stakeholders interviewed

Stakeholders
Bobbi Mayne, Manager Procurement
Fausto Sut, Manager Governance and Risk
Matthew Walker, Manager Financial Services
Samantha Urquhart, Manager Property
Robert Kolimackovski, Manager Information Technology
Sandra Kapsalis, Payroll Coordinator
Wendy Dillaway, Coordinator Applications
Kate Kennedy, Coordinator Fleet Operations & Stores

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 18

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



Appendix C

Appendix C: Bayside Council's Risk Assessment Matrix

Risk Ratings	Consequence					
Likelihood	1. Very Low	2. Minor	3. Moderate	4. Major	5. Extreme	
5. Almost Certain	High	Very High	Extreme	Extreme	Extreme	
4. Likely	Medium	High	Very High	Very High	Extreme	
3. Possible	Low	Medium	High	Very High	Extreme	
2. Unlikely	Low	Medium	Medium	High	Very High	
1. Rare	Low	Low	Low	Medium	High	

Likelihood ratings.

Rating	Likelihood	Description	Quantification
1	Rare	The event may occur but only in exceptional circumstances. No past event history.	Once every 50 years or more. Less than 10% chance of occurring.
2	Unlikely	The event could occur in some circumstances. No past event history.	Once every 20 years. Between 10% and 30% chance of occurring.
3	Possible	The event may occur sometime. Some past warning signs or previous event history.	Once every 5 years. Between 30% and 70% chance of occurring.
4	Likely	The event will probably occur. Some recurring past event history	Once a year. Between 70% and 90% chance of occurring
5	Almost Certain	The event is expected to occur in normal circumstances. There has been frequent past history.	Several times a year. Greater than 90% chance of occurring.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 19

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



Appendix C

Table of Consequences

able of Conseque Consequence Rating	Impact on Council's Objectives	Financial Impact	Operational Impact	Reputational Impact	Compliance Impact	HR Impact	Environmental Impact
Extreme	Most objectives can no longer be achieved Complete revision of long term business model required	More than \$3m pa recurrent impact on operating budget More than \$10m one-off budgetary impact	Key activities and essential services disrupted for over 14 days Death or serious injury / illness to members of the community Sustained and significant dissatisfaction with Council service delivery	Council or senior management, sustain significant adverse national media coverage Reputational damage that will be likely to take many years to repair.	Council removed from office by Minister and Administrator appointed Investigation by ICAC or other agency with compulsory powers to examine witnesses in public hearings into substantial allegations of fraud and / or serious misconduct by Councillors or Officers	Sustained major negative impact on staff morale Serious injury requiring long term medical treatment Loss of life Major sustained breach of WHS Legislation, prosecution, Staff retention less than 80%	Environmental incident causing damage directly leading to extinction of a species of flora or fauna; Toxic chemical spill with enduring contamination and serious human health consequences requiring closure or isolation of land
Major	A number of significant business objectives can no longer be achieved	Between \$1m and \$3m recurrent impact on operating budget, one off impact between \$5m and \$10m.	Key services disrupted for between 2 and 14 days significant reductions in customer satisfaction injury or property damage resulting in litigated claims against Council	Investigation by external body resulting in substantive negative findings significant adverse media at state and local level significant & well publicised outcry from residents, long story life.	Council required to show cause why it should not be suspended from Office by Minister. Council issued with Performance Improvement Order(s) by Minister concerning substantial matters of Councillor and/or Officer conduct. Council found to be criminally liable Council found to be liable for penalties and/or damages >\$5m	Major one-off breach of work place legislation Major localised negative impact on morale Lost time injuries requiring major medical treatment, Staff retention rate between 80% and 85%	Environmental incident causing significant damage to threatened species or habitat and / or seriously endangered ecological community

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 20

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



Appendix C

Consequence Rating	Impact on Council's Objectives	Financial Impact	Operational Impact	Reputational Impact	Compliance Impact	HR Impact	Environmental Impact
Moderate	Some important business objectives can no longer be achieved	Between \$200k and \$1m recurrent impact on operating budget one off impact between \$1m and \$5m	Key services disrupted for between 1 and 2 days short term or isolated reductions in customer satisfaction minor injury or property damage claims.	Medium term local media coverage concerns from sections of the community governance breaches or failures notified to external bodies but dealt with internally.	Council Convicted for breach of legislation in Court or Tribunal	Minor breach of workplace legislation short duration lost time injury requiring minor medical treatment staff retention rate between 85% and 90% negative impact on morale.	Pesticide spill into waterway causing harm to native species Inappropriate pesticide use at playgrounds Exposing acid sulphate soils in recreation area
Minor	Some reprioritisation of resources to enable business objectives to be achieved	Between \$50k and \$200k recurrent impact on operating budget one off impact between \$0.2m and \$1m	Key services disrupted for <1 day one-off reductions in customer satisfaction minor injury or property damage not resulting in a claim on Council	Short term local media coverage heightened concerns from narrow group of residents governance breaches or failures dealt with internally without the need for external referral	Council issued minor fine or penalty for breach of legislation in court or tribunal and / or ordered to pay compensation or damages pursuant to breach	Short term impact on staff morale minor injuries or illness from normal activities treated by first aid.	Pollution of waterways with sediment runoff due to incorrect construction site management Minor breach of environmental licence resulting in court attendance notice
Low	Little or no impact on business objectives	<\$50k recurrent impact on operating budget, one-off impact <\$0.2m.	Usual scheduled interruptions unscheduled interruptions for <4 hours.	One off insignificant adverse local media or public complaints.	Council issued with fixed Penalty Infringement Notice for breach of legislation	Localised raising of concerns by staff Isolated incidents and/or 'near miss' occurrences.	Tree removal in environmentally sensitive area leading to protest and local environmental concern Isolated infringement of environmental licence leading to fixed penalty

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - February 2019

Page 21

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

BAYSIDE COUNCIL (BC)

Review of ICAC Recommendations Implementation Progress

November 2018





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

BDO: Review of ICAC Recommendations Implementation Progress - November 2018

Page 2

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



TABLE OF CONTENTS

1	Exe	cutive summary	5
1	.1	Background	5
1	.2	Purpose and scope	5
1	.3	Methodology	5
1	.4	Summary of key findings	5
1	.5	Acknowledgement	7
1	.6	Report clearance	7
App	endix	x A	8

BDO: Review of ICAC Recommendations Implementation Progress - November 2018

Page 3

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



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 November 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.

Bayside Council - Review of the ICAC Recommendations Implementation Progress - November 2018

Page 4

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



Executive summary

1 Executive summary

This Follow-up Review of the Independent Commission Against Corruption (ICAC) Recommendations (based on the July 2017 ICAC Report) Implementation Progress was undertaken as part of Bayside Council's (BC) Approved Internal Audit Plan for the year ended 30 June 2019.

1.1 Background

The ICAC conducted an investigation into the conduct of the former City of Botany Bay Council Chief Financial Officer and others. The outcome and recommendations from the investigation were documented in the report dated July 2017.

BDO has undertaken a review of the progress in implementing the ICAC's recommendations.

The Terms of Reference for the review were included in an approved scoping document dated November 2018.

1.2 Purpose and scope

The purpose of this internal audit was to review the progress of implementation of the recommendations made in the ICAC report and assess the process around monitoring and recording updates to the status of the implementation.

The scope of the review was limited to the ICAC report recommendations dated July 2017. The internal audit review covered the actions implemented related to the recommendations, focusing on the implemented actions for verification and an update on the status of the partially implemented actions.

There were 11 recommendations (refer to the summary of key findings for details of the recommendations) in the ICAC Report which were related to Bayside Council.

1.3 Methodology

The following approach was undertaken during the internal audit:

- We obtained the ICAC recommendations implementation project plan and reviewed the progress to date as recorded in progress reports:
- Ensured that actions designated as 'implemented' had actually been completed;
- Ensured that those actions that were not implemented or were inprogress were included in the progress report and monitored;
- Interviewed BC personnel responsible for implementation of actions;
- Examined relevant documentation and/or sighting physically completed implementations to determine actions completed or inprogress;
- Conducted an exit meeting with the relevant Council's staff following completion of the fieldwork to discuss:
 - Our findings;
 - Recommendations for control improvements in relation to those findings; and
 - o Management's response to our findings and recommendations.

1.4 Summary of key findings

Bayside Council has developed actions (a total of 79 actions were developed) to address the ICAC recommendations. Internal Audit reviewed all 79 actions and the result of the review are documented in Appendix A.

Bayside Council - Review of the ICAC Recommendations Implementation Progress - November 2018

Page 5

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



Executive summary

Internal Audit's assessment of the ICAC's recommendation implementation was based on the significance of these actions in relation to the recommendations. Actions which were considered significant (highlighted in green in the spreadsheet in Appendix A) were used to inform the outcome of the progress of the implementation. The results of the review are summarised in the Table below:

No	ICAC Report Recommendations	Internal Audit Assessment		
1	That Bayside Council reviews its financial processes and makes any necessary changes to ensure that: its vendor master file is subject to appropriate segregation and review-based controls;	Complete. The role for vendor master file maintenance is performed by Procurement and segregated from Finance. Vendor master file maintenance are reviewed by the Procurement Specialist or the Procurement Manager		
2	 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; 	Complete. Workflow is automated within TechOne to ensure appropriate approval delegation and three-way match for payment.		
3	 operational managers have visibility over, and involvement in, setting budgets and monitoring expenditure against these budgets; 	Complete. Operational Managers were involved in budget setting and monitoring. The use of TechOne Enterprise Budget Module provides visibility to the Operational Managers.		

No	ICAC Report Recommendations	Internal Audit Assessment
4	 adequate segregations exist across different financial processes. 	Partially Complete. The vendor master file maintenance had been segregated from Account Payables. Various other financial processes are being finalised, which will be completed by 30 June 2019.
i	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	Partially Complete. A review of the high risk areas was performed. The implementation of the recommendations from the review is ongoing. They are expected to be completed by 30 June 2019.
	That Bayside Council reviews the position descriptions of key operational and financial roles to ensure that they include the required skill sets and qualifications	Complete. The position description of key operational and financial roles had been reviewed to include the required skill sets and qualifications. BC has also implemented recruitment and maintenance of Skills and Qualification management.
•	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.	Complete. Updates to the General Manager's (GM) performance contract were made to includes evaluation of the effectiveness of the implementation of internal and external audit recommendations.

Bayside Council - Review of the ICAC Recommendations Implementation Progress - November 2018

Page 6

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



Executive summary

No	ICAC Report Recommendations	Internal Audit Assessment
		This will be presented to the GM's Performance Review Panel on 21 Jan 2019 for approval.
8	That Bayside Council undertakes a risk assessment (including an assessment of fraud and corruption risks) to inform its internal audit plan.	Complete. A risk assessment was performed and the risk register updated. A review of the risk management profile and updating of the Annual Internal Audit Plan was conducted.
9	That Bayside Council ensures that its internal audit function operates independently from management by reporting functionally to its audit committee.	Complete. The Risk & Audit Committee (RAC) Charter includes role requirements for the internal audit function.
10	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.	Complete. A Risk & Audit Committee was established independent of management to which the Internal Auditor reports. The implementation of internal audit recommendations is a standing agenda item for the RAC.
11	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	Complete. A Consultant from the IIA was engage to conduct an independent review of the RAC. A final report was issued on 5 December 2018.

No	ICAC Report Recommendations	Internal Audit Assessment
	sufficient assistance to Bayside Council's governing body on governance processes.	

Overall, the status of the implementation of the ICAC recommendations was assessed as Satisfactory. From the 11 recommendations, 9 have been assessed as completed and 2 were partially completed. Internal Audit further reviewed the partially completed recommendations to ensure that actions are being taken to address the recommendations.

1.5 Acknowledgement

We would like to take this opportunity to thank all Council staff for their cooperation and assistance during the course of our internal audit.

1.6 Report clearance

The contents of this report has been discussed and agreed with Michael Mamo, Director City Performance, Fausto Sut, Manager Governance & Risk and Cate Trivers, Project Manager Business Process & Controls.

Yours sincerely

Sean Pascoe

Sean Pascoe Partner, BDO Risk Advisory

Bayside Council - Review of the ICAC Recommendations Implementation Progress - November 2018

Page 7

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



Executive summary

Note: The status in the column "Implemented/Partially Implemented" was updated by BC as at 12 Dec 2018. The audit work performed to verify the status was performed from 14 Nov 2018 to 16 Nov 2018. Subsequent to the audit work perform from 14 to 16 Nov, audit verified certain actions where the supporting documents/evidence was provided and this is documented in the Audit Comment section.

No	Recommendation	Actions	ACTION	Responsible	Implemented /	Audit Comment
			PLAN DETAIL	manager	Partially Implemented (if Partially provide Mgr. Comment)	
	Recommendation 1		Action ID		This status update was provided by Bayside Council as at 12 Dec 2018	Based on audit work performed from 14 Nov 2018 to 16 Nov 2018
1.1.1	That Bayside Council reviews its financial processes and makes any necessary changes to ensure that:	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.	A.1.1.1	Director City Performance	Implemented	Ongoing. Council has engaged external consultants to document the key processes. They are currently in the process of preparing the final document for handover.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	The Procurement function has been separated from Governance and Finance at Bayside and established as an independent stand-alone business support unit. A manager has been appointed as well as 3 procurement specialist and a procurement officer. Vendor master file maintenance rests with Procurement and not accounts payable.	A.1.1.2.1	General Manager	Implemented	Complete. Audit reviewed the Organisation Chart and verified that a Procurement function had been setup.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Prior to amalgamation of the former City of Botany Bay Council, changes to authorities to create and maintain Vendor Master Files were implemented - moved from Accounts Payable to Procurement Staff. This is also the current practice for Bayside.	A.1.1.2.2	Director City Performance	Implemented	Complete. Confirmed that the Vendor Master files maintenance were moved from Accounts Payables. Audit sample tested the AP Officers and Procurement Officer's TechOne profile to confirm.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Controls over change to bank details were implemented requiring a secondary sign-off. An audit report of bank file changes is reviewed on a monthly basis.	A.1.1.2.3	Manager Procurement	Implemented	Complete. Confirmed and verified the implementation of the bank details report verification for duplicate of name, bank account and ABN. This will be performed monthly. Also check changes to the vendor master file looking for anomalies - this is performed monthly. There is a form developed to ensure that change in bank details have a secondary sign-off. Audit checked, there were no instances of bank detail change using the new form. Audit verified the new form which has a secondary sign-off.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Former City of Botany Bay Council Vendor Master Files have not been migrated to TechOne; Only Procurement & Finance "verified" Vendor Master Records have been created in the new System.	A.1.1.2.4	Manager Procurement	Implemented	Complete. Confirmed that suppliers with transactions from the last 3 months from Botany Bay Council were uploaded to TechOne.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	All continuing former City of Botany Bay Council vendors were written to and provided Bayside Council's Vendor Terms and Conditions and Statement of Business Ethics.	A.1.1.2.5	Manager Procurement	Implemented	Complete. Confirmed that all vendors were notified of the terms and conditions and Statement of Business Ethics. There is also an annual email to the vendors reiterating the T&C and Statement of Business Ethics. Audit also verified to the email sent to the vendors.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	New Vendor process implemented. All "New" Vendors undergo independent verification processes, including ABN checks and additional disclosures on related parties. This series of checks is clearly outlined in the New Supplier Process and Forms.	A.1.1.2.6	Manager Procurement	Implemented	Complete. Confirmed that all new vendors undergo independent verification process. A "new supplier request form" is used for the verification.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Council adopted a "Thank you is Enough" policy as part of its Code of Conduct which has been publicised to the community, vendors, and staff. Internal staff training has been conducted extensively.	A.1.1.2.7	General Manager	Implemented	Complete. Confirmed that training is conducted with all staff after the amalgamation. Refresher training will be conducted on an ongoing basis (not decided on the frequency). The last training was in July. Audit verified that "Thank you is Enough" is in the staff induction program and the policy is also send to the suppliers.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Code of Conduct training has been conducted for all staff and half yearly updates scheduled.	A.1.1.2.8	Manager Governance and Risk	Implemented	Complete. Note - the code of conduct training will be conducted yearly. In 2016-17, there was a half yearly updates. Audit verified to the attendance records for induction and staff refresher for code of conduct training.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Procurement team is responsible for the policy, process, compliance, category management, supplier relations, panel liaison, business partnering and procurement analysis.	A.1.1.2.9	Manager Procurement	Implemented	Complete. Confirmed the procurement's role & responsibilities with the Procurement Manager. Audit also verified to the Procurement Unit's Leadership presentation to verify the roles and responsibilities of Procurement.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Management self-assessment and review of processes and monitoring of key controls, including: Analysis of Audit Reports for new suppliers, change requests to Vendor Master File, ABN cross checks, Bank Account cross checks to staff payroll and with requesting suppliers, review of related parties.	A.1.1.2.10	Manager Procurement	Implemented	Complete. Confirmed that processes were reviewed and key controls are being monitored. Audit verified the analysis of suppliers' audit report for bank details and name, ABN checks, bank account checks, review of related parties.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Periodic review of inactive suppliers (to be made inactive in the System), and active management of preferred suppliers, and reviews of Expenditure patterns.	A.1.1.2.11	Manager Procurement	Implemented	Complete. Confirmed that inactive suppliers were reviewed in May 18 and this review will be performed annually.

Bayside Council - Review of the ICAC Recommendations Implementation Progress - November 2018

Page 8

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

Risk & Audit Committee

B	DO	Executive summary				
No	Recommendation	Actions	ACTION PLAN DETAIL	Responsible Manager	Implemented / Partially Implemented (if Partially provide Mgr. Comment)	Audit Comment
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	All "New" Vendors undergo independent verification processes, including ABN checks and additional disclosures on related parties and cross-check of employee bank details. As per the New Supplier Process and Forms.	A.1.1.2.12	Manager Procurement	Implemented	Complete. This action is similar to A.1.1.2.6. Refer to testing performed at A.1.1.2.6
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Council's Code of Conduct policy will continue to be reinforced and is a central part of the induction program for new staff and contractors.	A.1.1.2.13	Manager Governance and Risk	Implemented	Completed. Refer to A.1.1.2.8.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	One of the strategic imperatives of the newly formed Procurement team is to undertake category reviews to rationalise the suppliers base and purge inactive suppliers and suppliers who do not meet the minimum criteria of dealing with Council.	A.1.1.2.14	Manager Procurement	Implemented	Ongoing. Suppliers were not properly categorised when the organisation merge. Suppliers are now being categorised. The naming convention is being determined.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Expand the use of Techone Contract Management module to support better establish and monitor terms and conditions and procurement compliance.	A.1.1.2.15	Manager Procurement	Partially Implemented	Ongoing. The review for the contract management module is completed and the road map is being finalised - TechOne PIR. TechOne Contract Management module is not implemented yet.
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	Invoice by invoice signature, coding and matching check implemented July 2016 at Botany Council. This required the EFT or cheque signatory to check that every payment on a remittance run included signed and coded invoices, were within delegated authority and were a reasonable purchase to a legitimate supplier. This was also a check to ensure payments were compliant with the \$150k tender threshold.	A.1.1.3.1	Manager Finance	Implemented	Complete. Checking were performed. Audit performed sample testing to confirm that invoice were coded and matched to GRN and PO.
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	Purchase order raised before payment implemented for major cost categories. Matching of invoice to goods receipt and purchase order implemented on a manual basis across Botany Council in early 2016/17.	A.1.1.3.2	Manager Finance	Implemented	Complete. Refer to testing performed at A.1.1.3.1. Audit performed sample testing to confirm that PO were raised before payment.
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	Delegated authorities implemented with sample signature provided to verifying staff in Accounts Payable. Signature required on all invoices before payment.	A.1.1.3.3	Manager Governance and Risk	Implemented	Complete. Audit verified that delegated authorities implemented with sample signature provided to verifying staff in Accounts Payables.
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	Automated workflow embedded within Techone and all paper based ordering eliminated with the consolidation of AP from Civica into Techone from June 2017.	A.1.1.3.4	Manager Procurement & Manager Finance	Implemented	Complete. Confirmed that TechOne has an automated workflow. Sample testing indicated that approval is automated in the system.
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	Bayside Council has implemented a new financial system, Techone, in December 2016, and Council is transitioning the whole of organisation to the new operating environment in 2017/18 where the workflow and matching will occur in the system.	A.1.1.3.5	Manager Procurement & Manager Finance	Implemented	Complete. Refer to testing performed at A.1.1.3.1
1.1.3	Sufficient segregations exist in its invoice payment processes (including the introduction of a three-way match arrangement) to manage the risks associated with fraudulent payments	Introduction of "No Purchase Order No Payment" policy and processes and a roll out of training to all staff and suppliers to ensure understanding and compliance. Reporting to identify non-compliance, reparative measures and training requirements.	A.1.1.3.6	Manager Procurement	Implemented	Complete. The policy and processes were rolled out and reporting of non-compliance in place. Email were sent out to notify suppliers of the "No PO No Payment Policy" and staff induction include training on Procurement Policy.
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	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 receipted. The assurance of compliance will be part of the Health Check program.	A.1.1.3.7	Manager Procurement	Implemented	Complete): Procurement health checks had been performed. The Procurement health check follow up is scheduled in the audit program.
1.1.4	Operational managers have visibility over, and involvement in, setting budgets and monitoring expenditure against these budgets	Implemented a Finance Business Partner model working with Business Managers to develop their 2017/18 Budget for Bayside.	A.1.1.4.1	Manager Finance, Operational Managers	Implemented	Complete. Confirmed that guidelines is in place to communicate with Business Managers for 2018/19 budget development.
1.1.4	Operational managers have visibility over, and involvement in, setting budgets and monitoring expenditure against these budgets	For 2016/17 there was ongoing excel based reporting which was used to report Quarterly and to map the two former Council's to a single reporting entity, and inform the 2017/18 Budget.	A.1.1.4.2	Manager Finance, Operational Managers	Implemented	Complete. As this action was completed before the current Finance Manager commences, the information for verification was provided by external consultants follows: In regards to the 2016/17 Budget at CBB, external consultant was the Acting Chief Financial Officer (from around July), and post amalgamation was appointed as the Director of City Performance. The then management accountant and then Director worked through the budget in detail with business unit managers at that time. These were responses provided by the then Director based on the actions taken in 2016/17.
1.1.4	Operational managers have visibility over, and involvement in, setting budgets and monitoring expenditure against these budgets	The 2016/17 Budget for City of Botany Bay was recast in August 2016 to provide greater substantiation and to transfer knowledge and ownership to Managers prior to amalgamation.	A.1.1.4.3	Manager Finance, Operational Managers	Implemented	Complete. As this action was completed before the current Finance Manager commences, the information for verification was provided by external consultantas follows: In regards to the 2016/17 Budget at CBB, external consultant was the Acting Chief Financial Officer (from around July), and post amalgamation was appointed as the Director of City Performance. The then management accountant and then Director worked through the budget in detail with business unit managers at that time. These were responses provided by the then Director based on the actions taken in 2016/17

Bayside Council - Review of the ICAC Recommendations Implementation Progress - November 2018

Page 9

Executive summary ACTION PLAN DETAIL Audit Commen Partially Implemented (if Partially provide Mgr. Comment) A.1.1.4.4 1.1.4 Operational managers have visibility over, and For 2017/18 detailed labour budgets based on revised organisational Manager Finance. Complete. As this action was completed before the current Finance Manager commences. involvement in, setting budgets and monitoring structure has been completed in conjunction with Managers and POC the information for verification was provided by the external consultant, as follows: For the expenditure against these budgets and approved by the Exec at a series of workshops. Managers 2017/18 Budget there was an Acting Finance Manager and ran the budget process and the comments provided below were agreed between he and then Director of City Performance The 2017/18 Budget was prepared based on the new organisational structure adopted post amalgamation. The Financial Planning and Analysis team business partners work through the budget with their business unit managers. Complete. Business Managers provide input into the budgets. Audit verified the 2018/19 budget guidelines to confirm that the Business Managers have their input to the budget. A.1.1.4.5 1.1.4 Operational managers have visibility over, and 2017/18 Bayside Budget being loaded into the Techone enterpri Manager Finance, Implemented budget module with further narrative and computation being input against individual line items to substantiate the budget line. Final inpul involvement in, setting budgets and monitoring Operational Meeting with Antoinette Naudi (23/11/18): Confirmed that Business Managers is able to expenditure against these budgets Managers checked and approval by Operational Managers. provide narrative in the system. Implemented Complete. Training conducted by EVI consulting in Nov 2018 there was an attendance 1.1.4 Operational managers have visibility over, and Training for managers in financial and performance management and A.1.1.4.6 Manager Finance, involvement in, setting budgets and monitoring n financial management policies and processes. Operational expenditure against these budgets Managers Operational managers have visibility over, and Budget and financial management and policy compliance included in Manager's Business Unit Performance Plans which include Manager Finance. Complete. Verified that the budget and financial mgmt. and policy compliance is included Implemented involvement in, setting budgets and monitoring in the Manager's Performance Plans. Operational expenditure against these budgets requirements for monitoring and review Managers 1.1.4 Operational managers have visibility over, and Budget and Financial and Governance Performance KPI's be A 1 1 4 8 Complete. Verified that the budget and financial mgmt. and policy compliance is included in the Manager's Performance Plans. Manager People Implemented involvement in, setting budgets and monitoring incorporated into Manager's Performance Agreements and Reviews. Organisation & expenditure against these budgets Develop and implement an organisational wide business process for Monthly Reviews of Budget and Performance, including training and Operational managers have visibility over, and A.1.1.4.9 Manager Finance ngoing. Refer to A.1.1.4.6 for verification on staff training. Meeting with Finance Manager involvement in, setting budgets and monitoring (14/11/18): Training performed, roll-out/embedding is in progress. expenditure against these budgets Operational managers have visibility over, and Quarterly reforecasts by Managers assisted and facilitated by Finance. Manager Finance Implemented Complete. Process was to review by s/sheet, and Finance to enter into TechOne and involvement in, setting budgets and monitoring Full narrative and substantiation to be provided for budget amendments in Techone system. Business rules to discussed and expenditure against these budgets agreed with the Exec in August 2017. Complete. Audit reviewed the Organisation Chart and verified that a Procurement function had been setup. Audit verified through sample testing to confirmed that segregation of 1.1.5 adequate segregations exist across different financial gation of duties has been implemented within Finance, including: A.1.1.4.11 Manager Finance Implemented creation of Vendor Master File records moved to Procurement, processes separation of Administrator role from Accounts Payable processes and duties evist Refer to T3 for sample testing performed. adequate segregations exist across different financial Develop Financial Operating Model for the Organisation - with full suite A.1.1.4.12 Director City mplemented Ongoing. Training conducted by EVI consulting in Nov 2018, documentation of processes of processes, internal controls embedded, supported by systems and had been performed. They are currently embedding the processes. processes Performance raining of Finance staff and Users. 1.1.5 adequate segregations exist across different financial Risk review of all processes to identify required segregation of duties A.1.1.4.13 Ongoing. Confirmed that risk review of all processes are being performed to identify Manager Implemented to be implemented in the business process reviews required segregation of duties to be implemented in the business process reviews. The Governance and Risk policies and procedures are in draft and will be finalised in Dec 18. Embed changes in segregation of duties into Position Description -Ongoing. Audit performed sample testing to ensure segregation of duties exist in the TechOne system. External Consultant is in the process of embedding the segregation of A.1.1.4.14 1.1.5 adequate segregations exist across different financial Manager Finance Implemented duties in the work plans adequate segregations exist across different financial Manager Finance Complete. Through review of the audit plan, follow up audits planned and undertaken and risk management strategy, confirms there is ongoing review of and implementation of audit Ongoing review and implementation of audit recommendations regarding segregation of duties. A.1.1.4.15 Implemented processes recommendations regarding segregation of duties Recommendation 2 Ongoing. Current, the bank signatories are both from Finance. The non-Finance signatories is yet to be implemented. terim Finance measures in 2016/17 have included: Implementation A.2.1.1 That Bayside Council undertakes a review of the control Director City mplemented frameworks governing processes that are vulnerable to of a Delegations Register including financial delegations and specime Performance corruption and implements any recommendations arising signatures; detailed secondary review by senior finance staff of all payments; changes to Bank Authorities and implementation of a ignatory A (Finance) & Signatory B (Non-Finance) for EFT and That Bayside Council undertakes a review of the control Original Botany Bay Council Credit Cards were suspended and A.2.1.2 Manager Complete. Confirmed all credit cards from former council were cancelled. Credit cards Implemented frameworks governing processes that are vulnerable to liations completed. New Bayside credit cards where issued to were not only issued to Directors, there were 3 other cases where credit cards were issued to other staff (POC manager, Business unit managers). Business cases were provided to support these instances and approved by the GM. corruption and implements any recommendations arising Directors only with improved controls from the review. That Bayside Council undertakes a review of the control Monitoring of Charge Cards for Bunnings and Fuel Cards closely A.2.1.3 Ongoing. Fuel card will be monitored by the Fleet Manager. No monitoring of Bunnings Manager mplemented frameworks governing processes that are vulnerable to Procurement charge card. Only investigate if there is over expenditure of the account. There is a policy corruption and implements any recommendations arising developed, but the process is not embedded.

Bayside Council - Review of the ICAC Recommendations Implementation Progress - November 2018

Page 10

Risk & Audit Committee

B	DO	Executive summary				
No	Recommendation	Actions	ACTION PLAN DETAIL	Responsible Manager	Implemented / Partially Implemented (if Partially provide Mgr. Comment)	Audit Comment
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.	Improvements to reconciliations - for bank and balance sheet.	A.2.1.4	Manager Finance	Implemented	Ongoing. The Finance Officers prepares the balance sheet reconciliation, and reviewed by the Coordinators. The status of the reconciliation is updated into the Reconciliation cover sheet. Audit reviewed the Reconciliation Cover sheet for Sept and Oct 18 and noted that not all reconciliations status is updated. The process of updating is still ongoing.
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.	The Procurement function has been separated from Governance and Finance at Bayside and established as an independent stand-alone business support unit. A manager has been appointed as well as 3 procurement specialist and a procurement officer. Vendor master file maintenance rests with Procurement and not accounts payable.	A.2.1.5	General Manager	Implemented	Complete. Audit reviewed the Organisation Chart and verified that a Procurement function had been setup. As per A.1.1.2.1
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.	Post amalgamation policy alignment and harmonisation	A.2.1.6	Manager Governance and Risk	Partially Implemented	Ongoing. Confirmed that a spreadsheet is maintained to keep track of the key policy harmonisation.
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.	Bayside values developed and implemented across Bayside, including staff training.	A.2.1.7	General Manager	Implemented	Complete. Verified to the Induction Program that the Bayside value is in the induction
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.	Removal of systems access for individuals whose role has changed in the organisation.	A.2.1.8	Director City Performance	Implemented	Ongoing. For role change, POC will send email to IT indicating that role has change or someone left the organisation. Change of role process (transporting) is not formalised. Currently working on exception report to identify the change of roles. To be implemented end of Dec 18.
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.	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.	A.2.1.9	Director City Performance	Implemented	Ongoing.), BC engaged EVI Consulting to document the processes. They are currently in the process of preparing the final document for handover.
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.	Review of Policy on Purchase Cards and Credit Cards, and mapping of business and systems processes.	A.2.1.10	Manager Procurement	Implemented	Complete. The Purchase and Credit Cards Policy are still in draft not finalised during the Audit review. However, BC provided evidence that the Purchase Card Policy was adopted on 21/12/18.
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.	Ongoing improvement of reconciliation processes by transitioning of Authority systems to Tec hone (single system and set of bank accounts for Bayside Council). Full reconciliation performed across the balance sheet on a monthly basis.	A.2.1.11	Manager Finance	Partially Implemented	Ongoing. The Finance Officers prepares the balance sheet reconciliation, and reviewed by the Coordinators. The status of the reconciliation is updated into the Reconciliation cover sheet. Audit reviewed the Reconciliation Cover sheet for Sept and Oct 18 and noted that not all reconciliations status is updated. The process of updating is still ongoing.
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.	Procurement team is responsible for the policy, process, compliance, category management, supplier relations, panel liaison, business partnering and procurement analysis.	A.2.1.12	Manager Procurement	Implemented	Complete. Refer to A.1.1.2.9 for testing performed.
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.	Policy framework for new Bayside and prioritisation of policy development including the development of procedures and processes to reinforce work practices and embed controls.	A.2.1.13	Manager Governance and Risk	Implemented	Ongoing. Confirmed that a spreadsheet is maintained to keep track of the key policy harmonisation. Note: BC has adopted a Governance Framework and adopted 55 Council and Administrative policies. BC has an ongoing project to harmonise or retire policies - this project is expected to be completed by end of 2018/19. BC has also developed key business processes and controls to embed business work practices and controls.
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.	Implement a more robust Business Governance Model including strengthening the policy and process ownership model, systems, change protocols and authorities.	A.2.1.14	Manager Governance and Risk	Partially Implemented	Ongoing. Work is currently ongoing, the Project Manager (Cate Trivers) is in the process of developing the internal control processes.
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.	Extensive review of all user system profiles and access. Alignment of systems access to reflect responsibility, segregation of duty and delegated authority.	A.2.1.15	Manager Finance	Implemented	Complete. User system profiles and access are regularly reviewed. Business processes are being finalised with system access to reflect segregation of duties and delegated authority. The delegation in TechOne is reviewed by the Governance & Team to ensure compliance.
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.	A review of high risk areas and the focus on development of mitigating actions and operational improvements to address.	A.2.1.16	Manager Governance and Risk	Implemented	Complete. The review of the high risk areas and development of mitigating actions had been completed. Currently, a system is being develop that will improve visibility for managers with assigned risks and reporting.
3	Recommendation 3					
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.	New Organisational Structure implemented post amalgamation (9/9/16) - from Sept-16 to Jun-17.	A.3.1.1	General Manager	Implemented	Complete. New organisational structure post amalgamation was implemented. Verified to the organisational structure as at June 2018

Bayside Council - Review of the ICAC Recommendations Implementation Progress - November 2018

Page 11

Executive summary ACTION Respons PLAN DETAIL Manager Audit Commen Partially Implemented (if Partially provide Mgr. Comment) NSW State Government PSC Capability Framework implemented and | A.3.1.2 That Bayside Council reviews the position descriptions Manager People Complete. Verified to the position description. Organisation & of key operational and financial roles to ensure that they new Position Descriptions adopted across Council (Jan-17 - Jun-17). include the required skill sets and qualifications. Culture That Bayside Council reviews the position descriptions Recruitment of Bayside Council executive and management has been A.3.1.3 General Manager Implemented Complete. The review of the organisational structure indicates that key positions were filled. Audit selected a sample and verified that qualification check, bankruptcy check, of key operational and financial roles to ensure that they completed with appointment of suitably qualified staff to key positions include the required skill sets and qualifications. police check were conducted. That Bayside Council reviews the position descriptions Staff named as "affected" individuals in the ICAC report were General Manager Implemented Complete. Confirmed further investigation was undertaken and legal proceedings were of key operational and financial roles to ensure that they initiated against some of the individuals. include the required skill sets and qualifications. Complete. Reviewed the organisational chart, the Finance Planning & Analysis team and Process and Controls section had been created. Confirmed that these sections had been That Bayside Council reviews the position descriptions A.3.1.5 Director City Finance operating model implemented which features specialisation, Implemented of key operational and financial roles to ensure that they finance business partners, a new FP&A team and a process and Performance include the required skill sets and qualifications. controls project lead. That Bayside Council reviews the position descriptions Conduct individual Capability Assessments and implement A.3.1.6 Ongoing. Confirmed that external consultant has done preliminary work. Identify gaps in Manager Finance Implemented performance development plans. Address critical skills / capability knowledge and skills sets of the team, and future work will be done to implement of key operational and financial roles to ensure that they include the required skill sets and qualifications. issues on a team and individual level. That Bayside Council reviews the position descriptions A.3.1.7 Manager People Implemented Complete. Confirmed that the Transition Recruitment Policy is available. Audit checked to ensure that qualification verification is performed of key operational and financial roles to ensure that they and maintenance of Skills and Qualifications management, e.g. Organisation & verification of qualifications include the required skill sets and qualifications. Culture Finance staff qualifications and competency to be assessed and further training development to be provided as required. A.3.1.8 That Bayside Council reviews the position descriptions Complete. Confirmed that external consultant has done preliminary work. Identify daps in Manager Finance Implemented knowledge and skills sets of the team, and future work will be done to impleme of key operational and financial roles to ensure that they performance development plan. include the required skill sets and qualifications. That Bayside Council reviews the position descriptions A.3.1.9 Manager People Complete. Confirmed that annual review is performed to monitor employee performance Employee Performance System implemented with regularly monitor Implemented of key operational and financial roles to ensure that they employee performance and capability. Organisation & and capability include the required skill sets and qualifications. Culture That Bayside Council reviews the position descriptions Key Roles & general staff induction processes to cover Corporate Manager People Complete. Checked to the induction program to confirm the induction covers Corporate A 3.1.10 Implemented of key operational and financial roles to ensure that they Governance requirements and key accountabilities. Governance requirements and key accountabilities. Organisation & include the required skill sets and qualifications. General Manager performance contract to include KPI's and evaluation of the effectiveness of the implementation of internal and That Bayside Council ensures that the implementation of General Manager both internal and external audit recommendations is implementation of internal and external audit recommendations. This will need to be considered by the elected body when evaluating the external audit recommendations. approved by the General Manager's Performance Review Panel to meet on 21 January performance of the general manager. 2019. BC prepared papers which included the required recommendations. Complete. GM performance review process was adopted at the November 2018 Council That Bayside Council ensures that the implementation of As part of the General Manager's Performance Review, the Internal & External Audit recommendations (including the Management General Manager Implemented meeting. The first review will occur on 21 January 2019. The GM tabled her report on the both internal and external audit recommendations is considered by the elected body when evaluating the Representation Letter) will be tabled with the Council's review Mgmt. letters. Note: The General Manager's Performance Review includes a report on performance of the general manager implementation of audit recommendations, copy of audit management letters, and a report on the effectiveness of the Risk and Audit Committee based on an independent review. That Bayside Council ensures that the implementation of External Audit Management Letters and Management's Representation Letters are to be tabled with the Risk and Audit A.4.1.3 Complete. Verified to the RAC meeting agenda to confirm that external audit management Manager mplemented both internal and external audit recommendations is Governance and letters are tabled in the meeting. considered by the elected body when evaluating the Committee at the first available meeting; and where appropriate with Risk performance of the general manager. Management's responses. That Bayside Council ensures that the implementation of General Manager will request that the External Audit Management A 4 1 4 Manager Implemented Complete. Confirmed that the GM and Chair of the RAC received the external audit management letters. Audit verified the Audit & Risk Committee meeting agenda to Letters are to be addressed to both the General Manager and copied both internal and external audit recommendations is Governance and considered by the elected body when evaluating the to Chair of the Risk and Audit Committee. The External Auditor is Risk confirmed that the External Auditor is invited to the Audit Committee meeting. performance of the general manager. invited to each Audit Committee meeting and able to comment on any issue. Recommendation 5 Complete. Meeting with the Governance & Risk Manager (15/11/18): Confirmed that a risk register was maintained for Bayside Council. Audit verified to the risk register. That Bayside Council undertakes a risk assessment Refer implementation of Council's Risk Management Framework which | A.5.1.1 Manager (including an assessment of fraud and corruption risks) has been adopted by Council and includes the preparation of a Governance and to inform its internal audit plan complete risk register for Bayside Risk Recommendation 6 Actions taken to date Complete, Confirmed that there is a Charter for Risk and Audit. Audit verified the document. Charter for Risk and Audit Charter has provision for the reporting of Internal Audit Reports to the Committee on a periodic basis to monitor That Bayside Council ensures that its internal audit A.6.1.1 General Manager function operates independently from management by reporting functionally to its audit committee. the delivery of the Internal Audit Program In accordance with the Local Government Act the Internal Auditor reports to the Risk and Audit Committee, but operationally to the A.6.1.2 Completed. Note: The Organisational Chart does not show the reporting of the Internal Auditor to the Risk & Audit Committee for independence. The Chairman and the RAC meet That Bayside Council ensures that its internal audit General Manager Implemented function operates independently from management by reporting functionally to its audit committee. General Manager, and daily to the Manager of Governance. The with the internal auditor prior with the meeting nternal Auditor meets with the Risk and Audit Committee ndependently of management

Bayside Council - Review of the ICAC Recommendations Implementation Progress - November 2018

Page 12

Risk & Audit Committee

B	DO	Executive summary				
No	Recommendation	Actions	ACTION PLAN DETAIL	Responsible Manager	Implemented / Partially Implemented (if Partially provide Mgr. Comment)	Audit Comment
7	Recommendation 7					
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.	A Risk Management Framework has been developed and adopted to assess and monitor all existing internal and external audit recommendations and management's responses.	A.7.1.1	Manager Governance and Risk	Implemented	Complete. A risk management framework had been developed and documented in the Risk Management Strategy. Audit verified the document.
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.	Develop an Operational and enterprise wide Risk Management Register and implement risk mitigation, monitoring and reporting to Executive and Risk and Audit Committee.	A.7.1.2	Manager Governance and Risk	Implemented	Complete. Refer to testing performed at A.5.1.1
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.	Bayside has an established Audit Committee independent of management to which the Internal Auditor reports. The implementation of internal audit recommendations is a standing agenda item for the committee. The Audit Committee will also have a Councillor as its member.	A.7.1.3	General Manager	Implemented	Complete. Audit verified to the Audit & Risk Committee agenda to confirm that IA recommendations is a standing agenda item and there is a Councillor in the Audit Committee.
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.	The implementation of internal audit recommendations are also reported to the Executive and peer reviewed with the General Manager in this forum.	A.7.1.4	General Manager	Implemented	Complete. Confirming that audit recommendations are reported to Execs and consulted on agreed actions. Audit recommendation status is reported to the RAC.
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.	A.7.1.5	General Manager	Implemented	Ongoing. Final report was provided by IIA on 5 December 2018.
8	Recommendation 8					
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.	Implemented a new, revised, Risk and Audit Committee with three independent members (Mar-17-May17). First meeting was held May-17.	A.8.1.1	General Manager	Implemented	Complete. Audit verified to the Audit & Risk Committee agenda to confirm that there were 4 independent members in the Risk & Audit Committee.
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.	A.8.1.2	General Manager	Implemented	Complete. Final report was provided by IIA on 5 December 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.	External Independent Review of the Risk and Audit Committee to assess the effectiveness of the committee.	A.8.1.3	General Manager	Implemented	Complete. Final report was provided by IIA on 5 December 2018,

Bayside Council - Review of the ICAC Recommendations Implementation Progress - November 2018

Page 13



Item No 5.2

Subject Internal Audit Plan Update

Report by Fausto Sut, Manager Governance & Risk

File F17/535

Summary

BDO has provided an update on the implementation of the Internal Audit Plan and the report indicates that progress is on track.

Officer Recommendation

That the progress report on the Internal Audit Plan be received and noted.

Background

BDO has provided an update on the implementation of the Internal Audit Plan. The implementation of the Plan is on track with critical reviews of ICAC and the Auditor General recommendation validations completed. Two Health Checks planned for 2018/19 have been scoped and one has commenced i.e. Accounts Payable. The draft scoping of Fraud and Corruption Health Check and associated work is currently under review. Two audits have commenced this period relating to cash handling and inventory management.

The report on all internal audit works are reported separately to the Committee.

Attachments

Attachment Internal Audit Plan 2018/19 Progress Report by BDO February 2019 J.

Item 5.2 42

Risk & Audit Committee 28 February 2019

Internal Audit Plan Update

2018 / 2019 Internal Audit Plan

We set out below, a status report on the 2018/2019 Internal Audit Plan recently approved by the Committee. It is to be noted that the Plan is on track.

Planned Internal Audit	Planned Timing and Hours	Allocated BDO Senior Internal Auditors	Comments	Status
Review of ICAC recommendations to confirm the progress made in implementation.	W/C 12 November 2018 – 65 hours	K Tang	This internal audit is deemed to be high priority.	Completed
2. Review of AG's recommendations as per 2016/ 2017 management letters.	W/C 4 February 2019 – 52 hours	K Tang		Completed
3. Follow up of the status of health checks conducted in 2017 /2018. These include:	W/C 12 November 2018 – 100 hours	K Tang and A Nariman	These internal audits are deemed to be high priority.	
External contractor management. Procurement. Payroll. Employees' mandatory licences etc.				Completed Completed Completed Completed
In addition, O/S legacy audit issues will be reviewed. – See Item 15 below				
Health Check 1 – Peer Review of Meals on Wheels.	W/C 26 November 2018- 42 hours	A Nariman	Deemed to be high priority by GM.	Completed
5. Health Check 2 – Accounts Payable	W/C 1 February 2019- 48 hours	K Tang and Y Wang		In progress
6. Health Check 3 – Fraud and Corruption Review.	W/C 8 April 2018- 48 hours	Jason Plumridge		Scoped. Waiting on advice of sign off and when we can start.

1

7. Cash handling	W/C 10 December 2018 – 80 hours	A Nariman / G Baptisma		In progress
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 / G Baptisma		In progress
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	M Kingsley is a specialist in this area	Not yet due March 2019
11. Rates and other charges management	W/C 11 March 2019 – 90 hours	B.Nosworthy	B Nosworthy is a speciliast in this area.	Not yet due April 2019
Procurement / purchasing	W/C 8 April 2019- 96 hours	B Nosworthy	B Nosworthy is a speciliast in this area.	Not yet due May 2019
12. DAs, VPAs AND Section 94 / 94A contributions.	W/C 20 May 2019 – 103 hours	M Kingsley	M Kingsley is a specialist in this area	Not yet due June 2019
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	Completed

2

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 Tang	Plan in August 2018. This internal audit is deemed to be high priority.	Not yet due June 2019
16. Special review of fleet and plant.	February 2019	A Nariman	Additional item added to Plan.	Scoped and waiting to start

Acting CAE

Steve Kent

February 2019



Risk & Audit Committee

28/02/2019

Item No 5.3

Subject Risk & Audit Committee Charter - Alignment to Model Guidelines

Report by Fausto Sut, Manager Governance & Risk

File F12/156

Summary

At the last meeting of the Risk & Audit Committee, Internal Audit through BDO was requested to "provide suggestions on updates for the Committee Charter to reflect Office of Local Government draft changes to guidelines".

Officer Recommendation

That the report be received and noted.

Background

In considering the report of the Independent Review of the Risk & Audit Committee, an alignment between the existing Charter and that proposed by the OLG was discussed. Internal Audit (through BDO) has provided some suggested improvements noting that the OLG has not finalised its position.

Attachments

Report by BDO (Internal Audit) Paper covering suggested changes to Audit and Risk Charter - February 2019 J

Item 5.3 46

Risk & Audit Committee 28 February 2019

Risk and Audit Committee Charter

Introduction

At the last meeting of the Committee, BDO was requested to "provide suggestions on updates for the Committee Charter to reflect Office of Local Government draft changes to guidelines".

From a review of Council's current Charter which was last amended in March 2017, It appears that the Charter is based on the Charter template included in The Office of Local Government dated September 2010.

Council's Charter is required to be reviewed every two years by the Committee as per Section 2.7 of the current Charter. The next review is new in March 2019.

Suggested changes

Based on the foreshadowed changes included in Section 428A of the Local Government Amendment (Governance and Planning) Act 2016, the Charter should be suitable amended for the folloing:

- Appointment of an Audit, Risk and Improvement Committee, or more correctly, a change in name of the current Audit and Risk Committee.
- The Committee must keep under review a number of specific items. Council already has in its Charter reference to:
 - Compliance.
 - Risk management.
 - Financial management.
 - Internal control framework.
 - Performance management (not in template).
 - Quality management (not in template).
- In addition to the above, the following items need to be added and explained
 - Fraud control.
 - Governance.
 - Implementation of the strategic plan, delivery program and strategies.
 - Service reviews.
 - Collection of performance measurement data by the Council.
 - Any other matters prescribed by the regulations.
 - The Committee is also to provide information to Council for the purpose of improving the Council's performance of its functions.

I have spoken with the Office of Local Government about a revised Charter template and this is still a work in progress. The current situation is that the OLG is planning to release a discussion paper in the next couple of months covering a review of the Internal Audit Guidelines, with templates, for implementation sometime next year.

1

Councils can implement the above requirements now, but the legislative changes will not come into effect until March 2021.

Steve Kent - Acting CAE February 2019



Item No 5.4

Subject 2016/17 Draft Final Management Letter

Report by Matthew Walker, Manager Finance

File F09/744

Summary

Council has received the Bayside Council 2016/17 draft final management letter from the NSW Audit Office. The draft management letter identifies issues and NSW Audit Office risk ratings for these items. Council officers will prepare management responses to the items and forward to the NSW Audit Office.

The Bayside Council 2016/17 draft final management letter from NSW Audit Office was tabled at the Executive Meeting 21 February 2019.

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) General of the Local Government Act 1993, the attachment relates to matters that are confidential, and 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 attachment must not be discussed with or disclosed to any person who is not a member of the meeting or otherwise authorised.

2 That Bayside Council 2016/17 draft final management letter be received and noted.

Background

Council has received the Bayside Council 2016/17 draft final management letter from NSW Audit Office. The draft management letter identifies issues and NSW Audit Office risk ratings for these items. Council officers will prepare management responses to the items and forward to the NSW Audit Office.

Attachments

Bayside Council 2016/17 Draft Final Management Letter (confidential)

Item 5.4 49



Item No 5.5

Subject Project 2020 Update

Report by Matthew Walker, Manager Finance

File F19/70

Summary

Following the report to the Risk & Audit Committee on 31 January 2019 in response to the update on the audit of the 2016/17 Financial Statements and the NSW Audit Office Disclaimer of Audit Opinion the General Manager, Director City Performance, and Manager Finance have met with the NSW Auditor General to review the approach to resolving the audit issues and progress the finalisation and audit of the 2017/18 and 2018/19 Financial Statements.

Project 2020 has been implemented to coordinate the four streams of work across the Financial Statements (2017/18 and 2018/19), remediation of asset management audit issues, remediation of Payroll and Employee Entitlements audit issues and IT audit issues.

Officer Recommendation

That the Risk & Audit Committee receives and notes this Project 2020 Update.

Background

Meeting with Auditor General

The meeting was held on the 8 February 2019 and the Auditor General was briefed on the proposed approach.

As part of this meeting the Auditor General was briefed on the ongoing improvements which had been implemented since the formation of Bayside and the progress on improvements to systems and process. This included:

- Controls (system based) of journal postings.
- Improved IT controls (user access, segregation of duties, system workflows).
- One payroll system (iChris), harmonised employee award and salary structure.
- One rates debtor management system (Pathway).
- Civica integrated with TechnologyOne.
- Re-established a monthly financial reporting and reconciliation framework.
- Implemented a new budgeting system for monthly and quarterly budget reviews, including financial management training to all Managers.

Item 5.5 50

- Completed majority of ICAC (Operation Ricco) actions only 4 outstanding actions which are significantly progressed.
- Reviewed and expanded internal audit program.

The outcomes of the meeting was an acknowledgement of the approach to refer the 2017/18 Financial Statements to Audit in April 2019 with management reflecting the unresolved audit issues, with a focus in 2019 on actioning the audit issues for resolution in 2018/19 to reduce the likelihood of the Disclaimer.

Project 2020 Status Report

Project 2020 commenced during the first week of February 2019 with the engagement of a Project Manager, Cate Trivers of EVI Consulting to coordinate the project which consists of the four work streams.

The first project status report is included as an attachment.

Attachments

Attachment 1: Project 2020 Status Report 4

Item 5.5 51

Project 2020 Status report

The following provides an overview of the commencement phase of Project 2020.

1. Project Initiation

•

- ✓ Project 2020 commenced the first week of February 2019.
- ✓ Project Manager appointed 3 February 2019.
- ✓ Project teams have been formed around the four work streams:
 - Work stream 1 Financial Statements 2017/18
 - Work stream 2 Asset Management 2017/18
 - Work stream 3 Payroll & Employee Leave Entitlements
 - Work stream 4 IT audit issues

2. Project Deliverables

The critical path for the finalisation of the 2017/18 Financial Statements has required the first 2 weeks of the project to focus on the deliverables of the first two work streams:

- Work stream 1 Financial Statements 2017/18
- Work stream 2 Asset Management 2017/18

Detailed planning is commencing for all four work streams on the remediation of audit issues, with key deliverables sheduled for the coming weeks.

Week 1

- Project inception meetings
- Engagement of all stream leads
- Kick-off meeting with Finance team
- Kick-off meeting with Asset Management business owners and key SME's
- Work Stream 1, 2, 3 detailed planning of February deliverables for 2017/18 Financial Statements

Week 2

- Check point meetings and detailed review with all teams on all 2017/18 Financial Statement Deliverables
- Checkpoint meetings and reviews with key Asset stakeholders on all 2017/18 Financial Statement Deliverables
- Established updated control sheets for 2017/18 financial statement deliverables

3. Updates by Work Stream

3.1 Work Package 1.1 Financial Statements 2017/18

Project Stream Lead: Antoinette Naudi, Coordiantor Financial Accounting

Critical Path	Deliverable/s	Responsibility
22/02/19	Finalising Asset Capitalisation	Asset Owners / Asset Providers Coordinator Financial Accounting

Critical Path	Deliverable/s	Responsibility
28/02/19	Finalising draft financial statements, work papers and reconciliations	Manager Finance
8/03/19	Quality Assurance/ Peer review of Financial Statements & Working papers	Manager Finance / Consultancy (TBD)
8/03/19	Financial Statements finalised	Manager Finance
	2017/18 Financial Statements lodged with Audit	Manager Finance

3.2 Work Package 2 Asset Management Audit Issues 2017/18

Project Stream Lead: Jeremy Morgan, Manager City Infrastructure

Critical Path	Deliverable/s	Responsibility
15/02/19	Finalising information for Asset Capitalisation	Asset Owners / Asset Providers Coordinator Financial Accounting
22/02/19	Manager's Sign-off Asset Capitalisation 2017/18	Asset Owners / Asset Providers Manager Finance
28/02/19	Updates Financial Statements & Work papers	Asset Owners / Asset Providers Coordinator Financial Accounting Manager Finance
8/03/19	Financial Statements finalised	Manager Finance
	2017/18 Financial Statements lodged with Audit	Manager Finance

3.3 Work Package 3 Payroll & Employee Leave Entitlements 2017/18

Project Stream Lead: Sandra Kapsalis, Coordinator Payroll

Critical Path	Deliverable/s	Responsibility
15/02/19	Finalising information for 2017/18 ELE's	Coordinator Payroll
22/02/19	Updates Financial Statements & Work papers	Coordinator Financial Services
28/02/19	POC Manager sign-off	Manager POC
8/03/19	Financial Statements finalised	Manager Finance
	2017/18 Financial Statements lodged with Audit	Manager Finance

3.4 Work Package 4 IT Audit Issues 2017/18

Project Stream Lead: Robert Kolimackovski, Manager IT

Critical Path	Deliverable/s	Responsibility
22/02/19	Review of Audit Management Letters & draft IT Management Letter (2017/18) - Impact assessment for 2017/18 and 2018/19	Manager IT
28/02/19	Remediation Plan to be agreed with Project Owner & Project Sponsor	Manager IT
28/0/19	Resourcing Plan to be agreed	Director City Performance

4. Resources

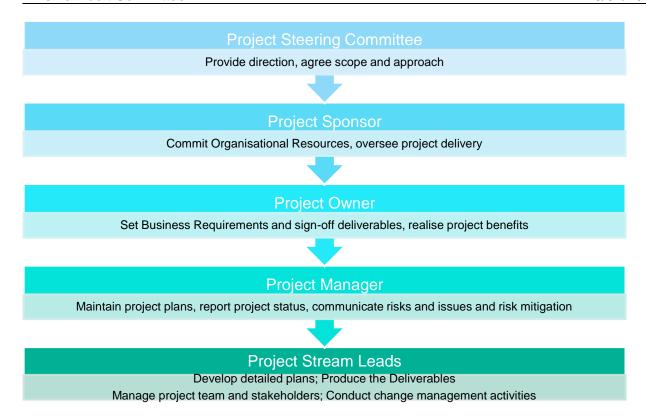
The resourcing of the various streams is primarily internal, with the following identified support required. Initial estimates are included below:

Resource	Activity	Estimate (TBC)
Consultancy	Project Management	\$120,000
Consultancy	Financial Accounting Advisory	\$ 50,000
Consultancy	Land Improvements & Other Structures: - Identification - Valuation	\$300,000 to \$450,000
Property Title Searches	Land and Information Property Title Searches	\$7,500

5. Governance Structures - Roles and Responsibilities

The following outlines the Project 2020 governance hierarchy and key roles.

The Project Steering Committee includes the Executive and the Manager Governance and Internal Auditor as independent observers.



The project governance framework includes weekly updates to the sponsor and fortnightly updates to the Project Steering Committee (PSC).

Internal Audit:

The role of internal audit is:

- to provide independent oversight and review of Project 2020 progress and governance arrangements
- To provide assurance and reports to the Risk & Audit Committee on a quarterly or as required basis
- To provide independent review / quality assurance over quality of the deliverables.

Business Owners:

- Responsibilties for functions, strategies, policies and operations remain with Business Owners.
- Business Owners are consulted with to develop and sign off on business requirements relating to their area, in line with Project 2020 objectives.
- The Project Team is responsible for producing the project deliverables and the Business Owner will support change management, and provide SME resources to project teams to ensure the scope, quaity and timeframes of the project are met.
- Business Owners sign-off on acceptance of the deliverables and the future change management and implementation plans.

6. Summary

Overall the preparation of 2017/18 Financial Statements have meant that the resources and focus is meeting the minimum standard to finalise the deliverables in accordance with the agreed objectives.

This stage of the project is identifying to what extent the 2017/18 audit issues (flowing from 2016/17) are being resolved or referred to the second stage for remediation in 2018/19.

Procurement is being initiated for the 2018/19 stage.



Risk & Audit Committee

28/02/2019

Item No 5.6

Subject Draft Interim IT Audit Management Letter - 30 June 2018

Report by Robert Kolimackovski, Manager Information Technology

File F17/1404

Summary

Council has received the draft interim IT audit management letter as at 30 June 2018. The draft management letter identifies issues and NSW Audit Office risk ratings for these items. Council officers will prepare management responses to the items and forward to the NSW Audit Office.

The draft management letter from NSW Audit Office was tabled at the Executive IMT Meeting on 14 February 2019.

Officer Recommendation

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) General of the Local Government Act 1993, the attachment relates to matters that are confidential, and 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 attachment must not be discussed with or disclosed to any person who is not a member of the meeting or otherwise authorised.

2 The draft interim IT audit management letter (30 June 2019) be received and noted.

Background

In October 2018, the NSW Audit Office conducted an Audit of Council's IT general controls for the 2017/18 financial year. The draft report attached is the result of this audit. Council officers will prepare management responses to the items and forward to the NSW Audit Office.

Attachments

IT Audit Management letter (30 June 2018) (confidential)

Item 5.6 57



Item No 5.7

Subject **Health Check - Validation Reports**

Report by Fausto Sut, Manager Governance & Risk

File F17/535

Summary

Internal Audit commenced a health check program to assist Managers assess the maturity of its business controls and identify remedial action. The initial program consisted of four (4) health checks covering the areas of Procurement, External Contractor Management (draft), Payroll and Employee Licences.

Through Governance & Risk, progress reports have been provided to the Executive and Risk & Audit Committees. The Internal Audit Plan required Internal Audit (through BDO) to undertake a validation of the status and quality of the controls implementation. The audit validation reports to each health check are attached.

Officer Recommendation

That Internal audit validation reports on the progress of the four Health Checks be received and noted.

Background

A summary of the internal audit validation reports (attached to this report) follows.

Payroll

The report verifies that 34 of the 53 controls have been implemented and only 1 has not started.

Current risk rating is MEDIUM primarily because of the inaccuracies in leave balances and leave liability accruals and the yet to be completed reconciliation between the payroll system and TechOne.

Recommendations for improvement have been made and the Manager People Organisation & Culture has set timeframes for their implementation. Timeframes have been agreed and all work should be concluded by December 2019.

Employee Mandatory Licences

The report verifies that 19 of the 38 controls have been implemented and implementation on the remaining has commenced.

Item 5.7 58

Current risk rating is MEDIUM primarily because the work to manage statutory training, licencing and ticketing require improvement to ensure that staff are not operating equipment or undertaking functions for which they do not have the appropriate licence or ticket. Recommendations for improvement have been made and the Manager People Organisation & Culture has set timeframes for their implementation. Timeframes have been agreed and all work should be concluded by December 2019.

Procurement

The report verifies that 63 of the 75 controls have been implemented and only 6 have not started.

Current risk rating is MEDIUM primarily because the work on cleansing the supplier database has not been completed, there is no formal documented process to monitor performance of suppliers, and improvements required to the analysis of data for management reporting.

Recommendations for improvement have been made and the Manager Procurement has set timeframes for their implementation. Timeframes have been agreed and all work should be concluded in 2019/20.

External Contractor Management

The report verifies that 31 of the 50 controls have been implemented and only 6 have not started.

Current risk rating is HIGH primarily because policies and procedures need to be developed, various contractor setup controls have not been implemented, and other control activities around reporting are not in place.

Recommendations for improvement have been made and the Manager Procurement and the Manager People Organisation & Culture (via Senior Safety and Wellness Officer) has agreed with the recommendations and set timeframes for their implementation. Timeframes have been agreed and all work should be concluded in 2019/20.

Attachments

- 1 Internal Audit Validation Report Final by BDO External Contract Management Health Check <u>U</u>
- 2 Internal Audit Report by BDO Follow Up of Procurement Health Check January 2019 Final I
- 3 Internal Audit Validation Report by BDO -Payroll Health Check January 2019 Final U
- 4 Employee Licences Health Check Validation Report by BDO January 2019 Final 4

Item 5.7 59

BAYSIDE COUNCIL (BC)

Follow-up of External Contractor Management Health Check conducted in 2017-18

January 2019





Distribution		
Party	Title	
Meredith Wallace	General Manager	
Michael Mamo	Director, City Performance	
Bobbi Mayne	Manager, Procurement	
Kristina Forsberg	Manager, People and Organisational Culture	
Fausto Sut	Manager, Governance and Risk	
Sean Pascoe	Partner, BDO	
Steve Kent	Associate Director, BDO	

Bayside Council - Follow-up of External Contractor Management Health Check conducted in 2017-18 - January 2019

Page 2

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



TABLE OF CONTENTS

1	Exec	cutive summary	5
	1.1	Background	5
	1.2	Objective and scope	5
	1.3	Approach	5
	1.4	Status of controls	6
	1.5	Summary of key findings	7
	1.6	Overall Risk Rating	7
	1.7	Acknowledgement	7
	1.8	Report clearance	7
2	Deta	ailed Findings	8
	2.1	Policy and Procedures (Ref:CO1)	8
	2.2	Review panel of approved vendors (Ref: CO2)	10
	2.3	Contractor setup activities (Ref: CO3	11
	2.4	Contractor Performance Management (Ref: CO6)	13
	2.5	Analysis and reporting (Ref: CO7)	15
App	endix	A: External Contractor Management Health Check	17
APP	ENDI)	K B: Listing of Bayside Stakeholders interviewed	24
APP	ENDI)	C: Bayside Council's Risk Assessment Matrix	25

Bayside Council - Follow-up of External Contractor Management Health Check conducted in 2017-18 - January 2019

Page 3

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



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 November 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.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 4

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



Executive Summary

1 Executive summary

This internal audit follow - up of the external contractor management health check is being undertaken as part of Bayside Council's (BC) Approved Internal Audit Plan for the year ending 30 June 2019.

1.1 Background

In 2017-18, a health check was performed for external contractor management, where control objectives and the status of the associated controls activities were identified.

The control objectives and control activities are documented in the health check checklist which is used to assess the maturity of the controls and monitor status and progress of the control implementation.

1.2 Objective and scope

The purpose of this internal audit was to perform a high level follow up on the health check performed in 2017-18, review the progress and quality of control implementation and provide an update on the status of implementation of controls.

The scope of the internal audit is limited to the external contractor management processes. The internal audit will cover the actions implemented related to the control activities, focusing on the completed actions for verification and an update on the status of the ongoing actions.

1.3 Approach

The following approach was undertaken during the internal audit:

- We obtained the health check reports and checklist for external contractor management and reviewed the progress to date as recorded in the reports and checklist;
- We assessed and evaluated actions that have been completed;
- We assessed and evaluated those actions that are not implemented or are in-progress and obtained completion dates;
- We interviewed BC personnel responsible for implementation of actions (refer Appendix B):
- We examined relevant documentation and/or sighted physically completed implementations to determine actions completed or inprogress;
- We conducted an exit meeting with the relevant Council's staff following completion of the fieldwork to discuss:
 - Our findings:
 - Recommendations for control improvements in relation to those findings; and
 - o Management's response to our findings and recommendations; and
- We prepared draft and final reports of findings and cleared with Management.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 5

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



Executive Summary

1.4 Status of controls

Based on the detailed External Contractor Management Health Check Follow - up outlined in Appendix A, we have prepared a summary of the status of the implementation of controls and residual risk and this is set out below:

Control Objective No.	Control Objectives	Total # of Controls	Complete	In- progress	Not started	Residual Risk
1	Policies and Procedures To ensure that there are sufficient and relevant contractor management policies and procedures which are regularly reviewed and properly communicated.	7	2		5	High
2	Vendor Selection To ensure that vendors undergo a proper procurement process in accordance with the Procurement Policy and are selected based on merits and value for money.	11	10	1	-	Low
3	Contractor Set-Up To ensure that Council has properly set up vendors in an appropriate system and they have been properly inducted on site, as per WHS and other legislation and regulations, prior to commencing work.	13	6	7	-	High
4	Work Execution To ensure that unauthorised payments to vendors for incomplete or unsatisfactory work is prevented.	5	5	-	-	Low
5	Vendor Payment To ensure that all payments are for valid and approved vendors for goods and services actually received.	8	8	-	-	Low
6	Performance Management To ensure that Council is only using vendors that are performing to expectations.	3	-	3	-	High
7	Analysis and Reporting To ensure that regular and accurate analysis is conducted and appropriate management and statutory information is provided.	3	-	2	1	High
	Overall	50	31	13	6	High

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 6

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



Executive Summary

1.5 Summary of key findings

Since the health check carried out in 2017/18, some improvements have been made in relation to the implementation and quality of controls in order to manage operational and compliance risks. As highlighted in Section 1.4 above, a significant number of controls have been implemented. However, there are some controls that are in the process of being implemented (13 controls) or not started (6 controls). As recognised by Management, there continues to be room for further improvement. We have summarised below the improvements and controls that are being implemented as shown in Section 1.4 above:

- Section 2.1 Policy and procedures related to external contractor management needs to be developed, implemented, communicated and ensuring that staff are trained in the procedures (Risk: High);
- Section 2.2 The central contract register maintained in excel needs to be transitioned to TechOne to facilitate the process of regular reviewing the panel of approved vendors (Risk: Low);
- Section 2.3 Various contractor setup control activities are currently under review. These activities need to be finalised for implementation (Risk: High);
- Section 2.4 The contractor feedback process needs to be formalised to
 ensure that contractor's performance is monitored and BC is not using
 contractors that are not performing up to expectations (Risk: Medium);
 and
- Section 2.5 The control activities related to analysis and reporting are
 in progress, and work is currently on-going to explore the data analytics
 capability in TechOne, tracking of contractor spend and the review of
 the cost benefit analysis for better procurement and savings (Risk:
 Medium).

Details of the above findings have been included in Section 2 of this report. The detailed External Contractor Management Health Check has been included in Appendix A.

1.6 Overall Risk Rating

High. This rating is primarily the result of the matters discussed in Section 1.5 above and the number of items not implemented.

Risk ratings have been based on Bayside Council's Risk Management Strategy. The Risk Matrix, Likelihood and Consequence tables have been included in Appendix C.

1.7 Acknowledgement

We would like to take this opportunity to thank all Council staff for their cooperation and assistance during the course of our internal audit.

1.8 Report clearance

The content of this report has been discussed and agreed with Bobbi Mayne, Procurement Manager and Deborah Lee, Senior Safety and Wellness Partner.

Yours sincerely

Sean Pascoe

Sean Pasco

Partner, BDO Risk Advisory

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 7

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



Detailed Findings

High

Risk Rating

2 Detailed Findings

2.1 Policy and Procedures (Ref:CO1)

Observations

There is currently no documented external contractor management policy. The policy development will be led by Procurement in consultation with key stakeholders. Various procedures related to external contractor management also need to be developed. This includes contractor WHS induction procedures and performance management procedures. The contract register procedures are currently in draft.

Risk/Implications

The external contractor management policy and procedures are a tool used to communicate the processes to staff. The lack of formal documented procedures will have an impact on the effectiveness of the communication to staff.

Recommendation

We recommend that Procurement:

R1. Complete the development, implementation, communication of the policy and procedures to staff and ensure that staff are trained.

Management Comments	Role & name of officer responsible for action	Target Completion Date	
R1. Noted. Competing priorities and high workload particularly in relation to the Procurement Health Check and other ICAC	Manager Procurement	July to September 2019	

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 8

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



Detailed Findings

and audit recommendations has resulted in this project being deferred 2019/2020.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 9

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



Detailed Findings

2.2 Review panel of approved vendors (Ref: CO2)

Risk Rating Low

Observations

Suppliers are monitored through the contracts register. A centralised contracts register is currently being maintained in Excel. Procurement is in the process of incorporating the contract register into TechOne. The contracts module in TechOne will be relaunched during the 4th Quarter 2018/19 financial year. The contract module in TechOne will facilitate the review of approved vendors.

Risk/Implications

A regular review of the panel of approved vendors will ensure that the vendors undergo a proper procurement process and are selected based on merits and value for money.

Recommendation

We recommend that Procurement:

R2. Complete the transition of the contract register to TechOne to facilitate the process of regular reviewing the panel of approved vendors.

Management Comments	Role & name of officer responsible for action	Target Completion Date	
R2. The Contract Register is being updated and maintained in Excel in preparation for migration to TechOne in accordance with Post Implementation Review project plan being led by Manager Finance.	Manager Procurement	April 2019	

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 10

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



Detailed Findings

2.3 Contractor setup activities (Ref: CO3

Risk Rating

High

Observations

The majority of the contractor setup control activities are currently on-going. The following are the controls currently under review:

- a) The BNG contractor services will be used to record the contractor validation criteria checklist. Presently, BC is transitioning to BNG for the validation checks. There may be problems with some existing contractors who may not want to pay the registration fee;
- b) The process to ensure that vendors are not hired if vendor tickets, licenses, qualification, training and public liability insurance (TLQTP) requirements not met;
- c) System does not allow bypass of TLQTP requirements;
- d) Implementation of contractor induction forms;
- e) Risk assessment forms developed for contractors to use on site;
- f) Process to ensure above completed prior to commencement of work; and
- g) Process to ensure completed forms submitted to BC prior to payment being made.

Risk/Implications

There is a risk that vendors are not properly set up in the system, not properly inducted on site as per WHS and other legislation and regulations prior to commencing work.

Recommendations

We recommend that:

R3. The standard procedures required for the contractor to register (BNG contractor service) be finalised to ensure that contractor registration issues are minimised;

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 11

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



Detailed Findings

Recommendations

R4. Finalise the review of the process as noted in (b) to (g) above.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R3. Noted and agreed.	Senior Safety and Wellness Officer, Manager People and Organisational Culture	March 2019
R4. Noted and agreed.	Senior Safety and Wellness Officer, Manager People and Organisational Culture	June 2019

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 12

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



Detailed Findings

Medium

2.4 Contractor Performance Management (Ref: CO6)

Risk Rating

Observations

Contractors who consistently perform a good job are provided with feedback. When their work is not satisfactory, there will also be timely feedback to allow them the opportunity to improve. However, if they consistently performed unsatisfactorily after the feedback, they will be removed from the approved panels. This process is not formalised.

Risk/Implications

There is a risk that BC is using vendors that are not performing to expectations.

Recommendation

We recommend that:

R5. A feedback mechanism for preferred suppliers be developed and formalised.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R5. Noted. Engagement and performance monitoring of suppliers is decentralised at Bayside. Performance with suppliers is addressed by the staff member that has engaged the supplier. Although, disputes are escalated to Procurement and/or Governance and Risk from time to time. The performance of Preferred Suppliers under Local Government Procurement, Procurement Australia and SSROC are Scoping	Manager Procurement	2019/20 financial year

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 13

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



Detailed Findings

and project plan is managed by these entities. This is usually via feedback and surveys from Councils who use these contracts which includes Bayside.

The scoping regarding a more consistent and standardised approach to performance management will occur with with key stakeholders will commence during 2019/2020 period.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 14

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



Detailed Findings

2.5 Analysis and reporting (Ref: CO7)

Risk Rating

Medium

Observations

Procurement is currently building an analysis of supplier orders to allow for more information to be extracted from the TechOne system. Currently, a report is only available to the Procurement Manager. Additional features will be explored in the TechOne post implementation review.

Contractor spend is also tracked against budget and this monitoring is performed through Finance. The contracts register currently in excel will be incorporated into TechOne. The contracts module in TechOne will be relaunched in the 4th quarter in 2018/19 and will be used to track the contractor spend.

There is an ad-hoc process for cost benefit analyses to allow for better procurement and savings. This process is to be reviewed.

Risk/Implications

There is a risk that the analysis is not accurate and not performed on a regular basis for management decision making.

Recommendations

We recommend that Procurement:

- R6. Explore the features available in TechOne to assist in the data analysis for reporting to management;
- R7. Complete the transition of the contracts register to TechOne for tracking of the contractor spend; and
- R8. Review the cost-benefit analysis process to allow for better procurement and savings.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 15

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



Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
R6. Noted and will be address through the Post Implementation Project Plan.	Manager Procurement	June 2019
R7. The Contract Register is being updated and maintained in Excel in preparation for migration to TechOne in accordance with Post Implementation Review project plan being led by Manager Finance.	Manager Procurement	June 2019
R8. Note. No further comment.	Manager Procurement	2019/20 financial year

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 16

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



Appendix A

Appendix A: External Contractor Management Health Check

Control Objective 1: Policies and Procedures

To ensure that there are sufficient and relevant contractor management policies and procedures which are regularly reviewed and properly communicated.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Availability of relevant contractor management policies and procedures			<i>\</i>	Jul-19	Policy - There is currently no contractor management policy. Procurement will be developing the policy. The contractor management policy from the former Rockdale Council to be used as a template. Policy will be developed by Jul 19 and implemented by Sep 19. Policy development will be led by Procurement in consultation with key stakeholders. Procedure - (1) Contract register procedures are in draft and will be implemented by Apr 19; (2) Contractor WHS induction procedures will be developed by Jul 19 implemented by Dec 19; (3) Performance Management procedures development and implementation will be in 2020. Currently working on the required technology to implement the performance management.
2	Policy and procedures implemented			√	Sep-19	Policy implementation will take place once the policy had been developed and signed-off by management. The procedures for contract management will be broken down into contract register, contractor WHS induction and performance management. The procedures for contract register are in draft and will be implemented by Apr 19. The contractor WHS induction and performance management procedures have not been documented.
3	Policy and procedures communicated			✓	Jul-19	Policy and procedures had not been communicated
4	Process in place to keep policy and procedures up to date			~	Sep-19	This process will be implemented once the policy and procedures are in place.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 17

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
5	Relevant staff trained in contractor management policies and procedures			√	Sep-19	Staff will be trained when the policy and procedures are in place.
6	Qualified staff					The recruitment process ensures that staff employed are qualified. The performance management system will ensure that staff maintain and obtain relevant qualifications and knowledge. Learning & Development assist staff with planning and professional development.
7	Mechanisms in place to reduce likelihood of contractor being engaged outside established policies and procedures	√				Procurement policy - "no PO no payment" policy will ensure that contractors will not be engage outside established policies and procedures.

Control Objective 2: Vendor Selection

To ensure that vendors undergo a proper procurement process in accordance with the Procurement Policy and are selected based on merits and value for money

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Process in place to ensure engagement of contractor has been authorised	~				The procurement policy is in place and the delegation is in place for the authorisation of the engagement.
2	Process in place to ensure contract work has been assigned a cost code	~				The procurement system (TechOne) requires the user to assigned a cost code or various cost codes to the supplier.
3	Procurement of vendor services complies with Procurement Policy.	~				Vendor relates to IT service providers. Procurements related to IT go through the procurement process.
4	Process developed to ensure vendor chosen based on merits, ability to undertake the job and value for money, and not inducements	√				The procurement policy governs this process
5	Above process implemented	✓				The process is implemented

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 18

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
6	Staff engaging contractors are aware of existing government and other agreements/contracts in place.	✓				Staff are aware of preferred suppliers. Emails are sent to staff and communicated to staff on preferred supplier. Staff can seek advice from Procurement if unsure.
7	Mechanisms in place to consider contractors used by other Councils, if contractors being engaged outside existing contracts.	·				The Procurement Policy on preferred supplier ensures that preferred supplier panels are established through an open market via formal quotation/tender and consideration of contractors used by other Councils.
8	Panel of approved vendors created	✓				Approved vendor panels are in place. List of suppliers are on the intranet
9	Panel of approved vendors communicated	·				Panel of approved vendors are communicated via email to staff and through the intranet.
10	Process in place to regularly review panel of approved vendors		~		Apr-19	The suppliers are monitored through the contract register. The contract register will be implemented in Apr 19. A centralised contract register is currently being maintained in Excel. The contracts module in TechOne will be relaunched during 4th Quarter 2018/19 year.
11	Process in place to ensure that scope of work and KPIs are communicated to vendors prior to commencement of work.	√				The scope of work and KPIs are included in contracts. Negotiating contracts ensures the scope of work are communicated to the vendors

Control Objective 3: Contractor Set-Up

To ensure that Council has properly set up vendors in an appropriate system and they have been properly inducted on site, as per WHS and other legislation and regulations, prior to commencing work.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Use of a vendor management system.	✓				TechOne is used as the the Vendor Management System (VMS).
2	Vendor tickets, licenses, qualification, training and public liability insurance (TLQTP)		~		Mar-19	The BNG contractor services will be used to record the contractor validation criteria checklist. Presently, BC is transitioning to BNG for the validation checks (transferring the contractor data into BNG). There may

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 19

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
	checked and confirmed prior to commencing work on time.					be problems with some existing contractors who may not want to pay the registration fee. Need to finalise the standard requirements for the contractor to register.
3	Process in place to ensure that vendors are not hired if TLQTP requirements not met.		√		Jun-19	The process is currently being reviewed.
4	System does not allow bypass of TLQTP requirements.		~		Jun-19	The process is currently being reviewed.
5	Contractor induction forms developed		✓		Jun-19	The form is developed but not implemented
6	Risk assessment forms developed for contractors to use on site.		~		Jun-19	The process is currently being reviewed. The form is in draft.
7	Process developed to ensure above completed prior to commencement of work		~		Jun-19	The process is currently being reviewed.
8	Process in place to ensure completed forms submitted to Council prior to payment being made.		√		Jun-19	The process is currently being reviewed.
9	Vendors set up on Accounts Payable system	~				Vendor is setup in the Vendor Master file in the supplier chain module in TechOne. Vendor is created by Procurement.
10	Segregation of duties between setting up vendors and payment of vendors	~				Verified that AP team does not have access to create vendor, and Procurement team does not have access to pay vendors.
11	Checks, such as ABN and related party, are completed prior to commencement of work.	~				A "New Supplier" form is used to perform checks on Suppliers
12	Process in place to ensure Code of Conduct and Statement of Business Ethics provided to vendor prior to commencement of work.	~				Registered new suppliers are sent a "Welcome to Bayside Council" email with a copy of Statement of Business Ethics, Bayside Council Business Terms & Conditions and Info Doc - Working with Bayside Council.
13	Process in place to ensure Purchase Order number provide to vendor for invoicing purposes.	√				This relates to the no PO no pay policy. The supplier needs to provide the PO in the invoice. The email sent to the supplier reminds of this.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 20

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



Appendix A

Control Objective 4: Work Execution

To ensure that unauthorised payments to vendors for incomplete or unsatisfactory work is prevented.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Process in place to check and confirm that work has been carried out according to scope provided.	~				TechOne requires the user to confirm that the goods have been received or services completed.
2	Process in place to check and confirm that work carried out to agreed quality.	✓				TechOne requires the user to confirm that the goods have been received or services completed.
3	Process in place to ensure vendor is notified of unsatisfactory work and is required to fix it.	~				TechOne requires the user to confirm that the goods have been received or services completed. Users will deal with the supplier if dissatisfied. Some users come to Procurement to inform of dissatisfaction with work and Procurement will advise on the actions to take.
4	Strategies developed to deal with vendor who consistently does a poor job or provide a poor service.	~				For tenders, reference checks will include past performance with Bayside Council. Whoever engaged the suppliers will monitor performance. Bad performances will be addressed by the relevant staff/managers or sometimes get Procurement involved.
5	Sign off by relevant individuals that work has been completed satisfactorily prior to payment being processed.	√				TechOne requires the goods and services to be receipted before payment.

Control Objective 5: Vendor Payment

To ensure that all payments are for valid and approved vendors for goods and services actually received.

N	lo.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
	1	All invoices from vendors are supported by a Purchase Order	~				The Procurement policy requires invoices to be supported by PO before payment.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 21

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
						AP Officer checks invoices based on the PO number. If no PO, invoice will be sent back to the requester to raise a PO.
2	Checks are completed to ensure that Purchase Order numbers and invoices are valid.	·				AP officer checks for valid PO and invoice. Verified email by Treasury Officer to confirm checks were performed - verify no duplicate POs. AP officer checks to ensure that PO and invoices are valid. System will prompt if there is an identical invoice number.
3	Invoices identified, recorded and accounted for to prevent payment of duplicate invoices.	~				Treasury checks to ensure no duplicate invoices. TechOne will prompt AP Officer if the invoice entered is duplicate.
4	Works and goods signed off as received and satisfactory prior to payment being processed.	·				Sign off on system as received. TechOne requires receipting for payment to be processed. Physical sign off on invoice, if there is a blanket PO. Signature is required on the invoice.
5	Invoices approved by the relevant Managers with the appropriate delegation.	√				PO is approved by the delegated authority. Invoice is acknowledges receipt for payment processing. Only PO is required to be approved by the delegated authority.
6	Segregation of duties between originating purchase orders, authorising invoice for payment, making payments and reconciling payments?	~				The person raising the order cannot approve receipt of the order. No - one in AP can raise PO. Payment can only be processed by AP. Reconciling payments is performed by Treasury Officer.
7	Fraudulent invoices immediately escalated to the relevant Managers and Directors.	√				Invoices which have no supporting PO will be investigated by AP Officer and returned to the relevant Manager/staff
8	Valid invoices paid in a timely manner	√				Suppliers terms are entered in the master file setup (e.g. 30 days) created by Procurement. When performing the payment run, the AP Officer will select the invoices with the relevant terms to be paid.

Control Objective 6: Performance Management

To ensure that Council is only using vendors that are performing to expectations.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 22

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Mechanisms in place to provide feedback to vendors who consistently do a good job.		·		in 2019/20 financial year	The process is not formalised. The feedback mechanism for preferred suppliers is to be developed.
2	Where work is not satisfactory, strategies have been put in place to provide vendors with timely feedback to allow them the opportunity to improve.		~		in 2019/20 financial year	The process is not formalised. The feedback mechanism for preferred suppliers will be developed.
3	Where work is consistently unsatisfactory, process in place to remove vendors from approved panels.		~		in 2019/20 financial year	The process is not formalised. The feedback mechanism for preferred suppliers will be developed.

Control Objective 7: Analysis and Reporting

To ensure that regular and accurate analysis is conducted and appropriate management and statutory information is provided.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Trend analysis conducted and reported on contractor spending.		√		Jun-19	Currently building the analysis of the supplier orders - preferred supplier, on contract, drill down. Currently, report only available to the Procurement Manager. This will be included in the PIR.
2	Contractor spend tracked against budget.		~		Jun-19	Monitoring through Finance of budget and actuals. The contract module will be used to track the contractor.
3	Process in place to pre-plan potential contractor use to allow for better procurement and savings.			~	in 2019/20 financial year	There is ad-hoc process for undertaking the cost benefit analysis. The process will be reviewed.

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 23

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



Appendix B

APPENDIX B: Listing of Bayside Stakeholders interviewed

Stakeholders

Bobbi Mayne, Manager Procurement

Deborah Lee, Senior Safety and Wellness Officer

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 24

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



Appendix C

APPENDIX C: Bayside Council's Risk Assessment Matrix

Risk Ratings		Consequence				
Likelihood	1. Very Low	1. Very Low 2. Minor 3. Moderate 4. Major 5. Extre				
5. Almost Certain	High	Very High	Extreme	Extreme	Extreme	
4. Likely	Medium	High	Very High	Very High	Extreme	
3. Possible	Low	Medium	High	Very High	Extreme	
2. Unlikely	Low	Medium	Medium	High	Very High	
1. Rare	Low	Low	Low	Medium	High	

Likelihood ratings.

Rating	Likelihood	Description	Quantification
1	Rare	The event may occur but only in	Once every 50 years or more. Less than
		exceptional circumstances. No past event	10% chance of occurring.
		history.	
2	Unlikely	The event could occur in some	Once every 20 years. Between 10% and
		circumstances. No past event history.	30% chance of occurring.
3	Possible	The event may occur sometime. Some	Once every 5 years. Between 30% and
		past warning signs or previous event	70% chance of occurring.
		history.	
4	Likely	The event will probably occur. Some	Once a year. Between 70% and 90%
	1	recurring past event history	chance of occurring
5	Almost	The event is expected to occur in normal	Several times a year.
	Certain	circumstances. There has been frequent	Greater than 90% chance of occurring.
		past history.	

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 25

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



Appendix C

Table of Consequences

Consequence Rating	Impact on Council's Objectives	Financial Impact	Operational Impact	Reputational Impact	Compliance Impact	HR Impact	Environmental Impact
Extreme	Most objectives can no longer be achieved Complete revision of long term business model required	More than \$3m pa recurrent impact on operating budget More than \$10m one-off budgetary impact	Key activities and essential services disrupted for over 14 days Death or serious injury / illness to members of the community Sustained and significant dissatisfaction with Council service delivery	Council or senior management, sustain significant adverse national media coverage Reputational damage that will be likely to take many years to repair.	Council removed from office by Minister and Administrator appointed Investigation by ICAC or other agency with compulsory powers to examine witnesses in public hearings into substantial allegations of fraud and / or serious misconduct by Councillors or Officers	Sustained major negative impact on staff morale Serious injury requiring long term medical treatment Loss of life Major sustained breach of WHS Legislation, prosecution, Staff retention less than 80%	Environmental incident causing damage directly leading to extinction of a species of flora or fauna; Toxic chemical spill with enduring contamination and serious human health consequences requiring closure or isolation of land
Major	A number of significant business objectives can no longer be achieved	Between \$1m and \$3m recurrent impact on operating budget, one off impact between \$5m and \$10m.	Key services disrupted for between 2 and 14 days significant reductions in customer satisfaction injury or property damage resulting in litigated claims against Council	Investigation by external body resulting in substantive negative findings significant adverse media at state and local level significant & well publicised outcry from residents, long story life.	Council required to show cause why it should not be suspended from Office by Minister. Council issued with Performance Improvement Order(s) by Minister concerning substantial matters of Councillor and/or Officer conduct. Council found to be criminally liable Council found to be liable for penalties and/or damages >\$5m	Major one-off breach of work place legislation Major localised negative impact on morale Lost time injuries requiring major medical treatment, Staff retention rate between 80% and 85%	Environmental incident causing significant damage to threatened species or habitat and / or seriously endangered ecological community

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 26

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



Appendix C

Consequence Rating	Impact on Council's Objectives	Financial Impact	Operational Impact	Reputational Impact	Compliance Impact	HR Impact	Environmental Impact
Moderate	Some important business objectives can no longer be achieved	Between \$200k and \$1m recurrent impact on operating budget one off impact between \$1m and \$5m	Key services disrupted for between 1 and 2 days short term or isolated reductions in customer satisfaction minor injury or property damage claims.	Medium term local media coverage concerns from sections of the community governance breaches or failures notified to external bodies but dealt with internally.	Council Convicted for breach of legislation in Court or Tribunal	Minor breach of workplace legislation short duration lost time injury requiring minor medical treatment staff retention rate between 85% and 90% negative impact on morale.	Pesticide spill into waterway causing harm to native species Inappropriate pesticide use at playgrounds Exposing acid sulphate soils in recreation area
Minor	Some reprioritisation of resources to enable business objectives to be achieved	Between \$50k and \$200k recurrent impact on operating budget one off impact between \$0.2m and \$1m	Key services disrupted for <1 day one-off reductions in customer satisfaction minor injury or property damage not resulting in a claim on Council	Short term local media coverage heightened concerns from narrow group of residents governance breaches or failures dealt with internally without the need for external referral	Council issued minor fine or penalty for breach of legislation in court or tribunal and / or ordered to pay compensation or damages pursuant to breach	Short term impact on staff morale minor injuries or illness from normal activities treated by first aid.	Pollution of waterways with sediment runoff due to incorrect construction site management Minor breach of environmental licence resulting in court attendance notice
Low	Little or no impact on business objectives	<\$50k recurrent impact on operating budget, one-off impact <\$0.2m.	Usual scheduled interruptions unscheduled interruptions for <4 hours.	One off insignificant adverse local media or public complaints.	Council issued with fixed Penalty Infringement Notice for breach of legislation	Localised raising of concerns by staff Isolated incidents and/or 'near miss' occurrences.	Tree removal in environmentally sensitive area leading to protest and local environmental concern solution infringement of environmental licence leading to fixed penalty

Bayside Council - Follow-up of Health Checks conducted in 2017-18 - January 2019

Page 27

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

BAYSIDE COUNCIL (BC)

Follow-up of Procurement Health Check conducted in 2017-18

January 2019





Distribution			
Party	Title		
Meredith Wallace	General Manager		
Michael Mamo	Director, City Performance		
Bobbi Mayne	Manager, Procurement		
Fausto Sut	Manager, Governance and Risk		
Sean Pascoe	Partner, BDO		
Steve Kent	Associate Director, BDO		

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - January 2019

Page 2

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



TABLE OF CONTENTS

1	Exec	utive summary	5
1	.1	Background	5
1	.2	Objective and scope	5
1	.3	Approach	5
1	.4	Status of controls	6
1	.5	Summary of key findings	7
1	.6	Overall Risk Rating	7
1	.7	Acknowledgement	7
1	.8	Report clearance	7
2	Deta	iled findings	8
2	.1	Procurement Policy & Procedures (Ref: CO1)	8
2	.2	Appropriate order quantities (Ref: CO3)	10
2	.3	Monitoring use of unauthorised suppliers (Ref: CO3)	11
2	.4	Quality of goods and services (Ref:CO6)	12
2	.5	Overseas purchases (Ref:CO9)	14
2	.6	Monitoring of suppliers' performance (Ref:CO11)	15
2	.7	Analysis for management reporting (Ref:CO12)	16
APP	ENDIX	A: Procurement Health Check	18
APP	ENDIX	B: Listing of Bayside Stakeholders interviewed	30
APP	ENDIX	C: Bayside Council's Risk Assessment Matrix	31

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - January 2019

Page 3

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



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 November 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.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 4

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



Executive Summary

1 Executive summary

1.1 Background

In 2017-18, a health check was performed for Procurement, where control objectives and the status of the associated controls activities were identified.

The control objectives and control activities are documented in the health check checklist which is used to assess the maturity of the controls and monitor status and progress of the control implementation.

This internal audit follow - up of the procurement health check is being undertaken as part of Bayside Council's (BC) Approved Internal Audit Plan for the year ending 30 June 20

1.2 Objective and scope

The purpose of this internal audit was to perform a high level follow up on the health check performed in 2017-18. We reviewed the progress and quality of control implementation and have provided an update on the status of implementation of controls.

The scope of the internal audit is limited to the procurement process

1.3 Approach

The following approach was undertaken during the internal audit:

- · We held a kick off meeting with key stakeholders;
- We obtained the health check reports and checklists for procurement and review the progress to date as recorded in the reports and checklist;
- We assessed and evaluated actions that have been completed;
- We assessed and evaluated those actions that are not implemented or are in-progress and obtain completion dates;
- We interviewed BC personnel responsible for implementation of actions (refer Appendix B);
- We examined relevant documentation and/or sight physically completed implementations to determine actions completed or inprogress;
- We conducted an exit meeting with the relevant Council's staff following completion of the fieldwork to discuss:
 - o Our findings;
 - Recommendations for control improvements in relation to those findings; and
 - o Management's response to our findings and recommendations; and
- We prepared draft and final reports of findings and cleared with Management.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 5

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



Executive Summary

1.4 Status of controls

Based on the detailed Procurement Health Check Follow - up outlined in Appendix A, we have prepared a summary of the status of the implementation of controls and residual risk and this is set out below:

Control Objective No.	Control Objectives	Total # of Controls	Complete	In- progress	Not started	Residual Risk
1	To ensure that all purchasing activities are supported by authorised and documented policies and procedures.	13	10	3	-	Low
2	To ensure that purchases appropriately support the business objectives of the organisation.	11	11	-	-	Low
3	To ensure that the appropriate goods/services are obtained at the optimum price and at the relevant time.	6	4	-	2	Medium
4	To ensure that all purchasing activity is valid, justified, authorised and within the prescribed budgets.	7	7	-	-	Medium
5	To ensure that suppliers are reliable, financially stable and able to satisfy the organisation's purchasing demands.	6	6	-	-	Low
6	To ensure that all goods and services are of an appropriate quality to satisfy the organisation's objectives.	6	4	1	1	Medium
7	To ensure that supplier's trading terms and conditions are appropriate.	3	3	-	-	Low
8	To ensure that purchasing activities comply with all the prevailing policies, legislation and regulations.	6	6	-	-	Low
9	To ensure that all purchasing activity is correctly reflected in the organisation's stock control records and accounts.	5	4	-	1	Low
10	To ensure that overdue and late deliveries are progressed and appropriately recompensed.	4	4	-	-	Low
11	To ensure that supplier performance is adequately monitored and reacted to.	3	2		1	Medium
12	To ensure that management are provided with adequate, accurate and timely information on purchasing activities.	5	2	2	1	Medium
	OVERALL	75	63	6	6	Medium

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 6

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



Executive Summary

1.5 Summary of key findings

Since the health check carried out in 2017/18, some improvements have been made in relation to the implementation and quality of controls in order to manage operational and compliance risks. As highlighted in Section 1.4 above, a significant number of controls have been implemented. However, there are some controls that are in the process of being implemented (6 controls) or not started (6 controls). As recognised by Management, there continues to be room for further improvement. We have summarised below the improvements and controls that are being implemented as shown in Section 1.4 above:

- Section 2.1 The procurement procedures needs to be endorsed by the Executive Committee for implementation and communicated to staff (Risk: Low);
- Section 2.2 There is a lack of staff education to ensure that quantities
 of goods ordered are at the optimum price and at the relevant time
 (Risk: Low);
- Section 2.3 Procurement is currently in the process of the cleaning the supplier database to monitor the use of unauthorised suppliers (Risk: Medium);
- Section 2.4 There is a lack of staff education on the receipting of the goods and services to ensure a consistent standard is maintained. The dispute resolution process need to be formalised and documented in the performance management plan (Risk: Low);
- Section 2.5 The volume of overseas purchases is low, however, the
 controls to ensure relevant import and foreign exchange regulations are
 identified and correctly addressed should be prioritise for review in the
 future (Risk: Low);

- Section 2.6 There is no formal documented process to monitor performance of suppliers against all requirements and expectations (Risk: Medium); and
- Section 2.7 The analysis of the procurement data for management reporting could be assisted through the capabilities in TechOne. This will be explored in the TechOne post implementation review (Risk: Medium).

Details of the above findings have been included in section 2 of this report. The detailed Procurement health check has been included in Appendix A.

1.6 Overall Risk Rating

Medium. This rating is primarily the result of the matters discussed in Section 1.5 above and the number of items not implemented.

Risk ratings have been based on Bayside Council's Risk Management Strategy. The Risk Matrix, Likelihood and Consequence tables have been included in Appendix C.

1.7 Acknowledgement

We would like to take this opportunity to thank all Council staff for their cooperation and assistance during the course of our internal audit.

1.8 Report clearance

The content of this report has been discussed and agreed with Bobbi Mayne, Procurement Manager.

Yours sincerely

Sean Pascoe

Partner, BDO Risk Advisory

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 7

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



Detailed Findings

2 Detailed findings

2.1 Procurement Policy & Procedures (Ref: CO1)

Risk Rating Low

Observations

Procurement policy is available and the procurement procedures are currently being developed by Procurement. The Procurement procedures are being drafted and are in the process of finalisation.

Risk/Implications

The procurement procedures are a tool used to communicate the processes to staff. The lack of formal documented procedures will have an impact on the effectiveness of the communication to staff.

Recommendations

We recommend that Procurement:

R1. Follow up on the endorsement of the procurement procedures by the Executive Committee for implementation; and

R2. Communicate the authorised procurement procedures to staff;

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 8

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



Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
R1. The Procurement Business Process and Controls Document was adopted by the Executive Committee on 20 th December 2018.	Manager Procurement	Procedures will be endorsed in Dec 2018 and will be implemented in February 2019.
R2. Staff education and embedment of Business Process and Controls Document will commence in February 2019.	Manager Procurement	Mid-Jan 2019
Please note that the Manager Procurement has vacated the position. Replacement of the Manager is in progress, however this recruitment will not be completed until March 19. This will delay the speed of implementation.		

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 9

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



Detailed Findings

2.2 Appropriate order quantities (Ref: CO3)

Risk Rating

Observations

The Procurement policy documents the procurement methods and financial threshold to ensure goods and services are obtained at the most economical and fair price. This information is also available on the intranet to all staff. However, there is a lack of education and training to educate staff on this matter.

Risk/Implications

There is a risk that the quantities ordered are not at the optimum price and at the relevant time.

Recommendation

We recommend that Procurement:

R3. Develop a Learning & Development (L&D) educational program to educate staff to ensure that the quantities of goods ordered are at the optimum price and at the relevant time.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R3. Noted.	Manager Procurement	2019/20 financial period
The development of 2019/20 Education Program has commenced with Learning and Development Team. This will be handed to the new Manager Procurement once appointed to progress and finalise.		

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 10

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



Detailed Findings

2.3 Monitoring use of unauthorised suppliers (Ref: CO3)

Risk Rating

Medium

Observations

Procurement is currently building the preferred supplier contracts and educating staff on the availability of the contracts. Procurement will be cleansing the supplier database to distinguish between preferred and non-preferred suppliers to facilitate the monitoring of the use of unauthorised suppliers.

Risk/Implications

Purchases from unauthorised suppliers increases the risk of goods and services obtained at an inappropriate price and of inferior quality.

Recommendation

We recommend that Procurement:

R4. Complete the supplier database cleansing process for the monitoring of the use of unauthorised suppliers.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R4. Noted. The project is being progressed by Procurement Specialist and Procurement Officer and is due for completion by end of February 2019.	Manager Procurement	2019/20 financial period

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 11

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



Detailed Findings

2.4 Quality of goods and services (Ref:CO6)

Risk Rating Low

Observations

Goods and services are currently being checked when receipted in the system. However, staff need to be educated on the receipting of goods and services to ensure that quality standards are maintained. Any dispute with the suppliers will have to be appropriately dealt with. Currently, the matter will be escalated to Procurement or Governance to address.

Risk/Implications

There is a risk that goods and services received do not meet the quality standard or are incomplete.

Recommendations

We recommend that Procurement:

R5. Include staff education on the receipting of goods and services in the L&D plan;

R6. Formalise the conflict resolution process and include conflict resolution in the Performance Management process.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R5. The development of 2019/20 Education Program has commenced with Learning and Development Team. This will be handed to the new Manager Procurement once appointed to progress and finalise.	Manager Procurement	2019/20 financial period

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 12

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



Detailed Findings

R6. Noted. This topic will be included as part of the embedding Manager Procurement of Procurement Business Process and Controls Document. See

2019/20 financial period

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 13

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



Detailed Findings

Risk Rating Low Overseas purchases (Ref:CO9) Observations Presently, goods and services purchased overseas do not go through the P/O system. Overseas purchases are mainly transacted through credit cards. Discussion with the Manager Procurement indicated that the volume of overseas purchases is low. This control activity will be reviewed in the future. Risk/Implications There is a risk that the relevant import and foreign exchange regulations may not be identified and correctly addressed. Recommendation We recommend that Procurement: R7. Prioritise this control activity for review. **Management Comments** Role & name of officer responsible for action **Target Completion Date** R7. Noted. Due to workload, staff changes and the low risk of Manager Procurement 2021

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

this matter, reviewing oversea purchases will commence during

the 2019/20 financial year.

Page 14

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



Detailed Findings

2.6 Monitoring of suppliers' performance (Ref:CO11)

Risk Rating Medium

Observations

There is no formal documented process to monitor performance of suppliers against all requirements and expectations so that unsuitable, unreliable or poor quality suppliers can be promptly identified and appropriate action taken.

Risk/Implications

There is a risk that suppliers do not meet Council expectations, standards and requirements, this is not detected and no action is taken to improve the situation.

Recommendation

We recommend that Procurement:

R8. Include the suppliers' performance monitoring process in the performance management plan.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R8. Noted.	Manager Procurement	2019/20 financial period

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 15

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



Detailed Findings

2.7 Analysis for management reporting (Ref:CO12)

Risk Rating Medium

Observations

Procurement is currently building the analysis of the supplier orders to allow for more information to be extracted from the TechOne system. Currently, a report is only available to the Procurement Manager. Additional features will be explored in the TechOne post implementation review. Currently, anomalies in the purchasing spends or habits are not available, as this is dependent on the upgrade of the data and the data analytics capabilities forming part of the TechOne post implementation review.

For outstanding purchase orders, Procurement is also reviewing for follow up with the requestor. Directors and Managers are provided with quarterly data on non-compliant purchase orders where the purchase order is raised retrospectively once the invoice is received. Staff who have raised these POs are highlighted in the report.

Relevant Managers are notified monthly if they have outstanding Purchase Requisitions that have not been approved by them.

Risk/Implications

There is a risk that management are not provided with adequate, accurate and timely information on purchasing activities.

Recommendation

We recommend that Procurement:

R9. Explore the features available in TechOne to assist in data analysis for reporting to management.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R9. Noted. Data cleansing and data analytics is a key focus area for the Procurement Unit for the 2019/20 and will	Manager Procurement	July 2019

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 16

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



Detailed Findings

progress this matter in accordance with the Post Implementation Review Project Plan.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 17

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



Appendix A

APPENDIX A: Procurement Health Check

Control Objective 1: To ensure that all purchasing activities are supported by authorised and documented policies and procedures.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Availability of authorised and documented procurement policy and procedures.	√				Audit verified the availability of the Procurement Policy, dated 12 July 2017
2	Availability of authorised and documented procurement procedures.				10-Dec-18	The Procurement Procedures had been drafted and are in the process of finalisation. The procedure will be signed off on 10 Dec 2018. Final procedures to be presented to the Executive Committee on 20 Dec 2018.
3	Purchasing policy communicated to staff.					The Procurement Policy was communicated to staff in Dec 2017and the Procurement policy is included in the staff induction program. Also presented at the Leadership team meeting, on the intranet and website.
4	Purchasing procedures communicated to staff.				mid-Jan 18	The procedures have been communicated to staff consistently. However, the finalised version will be communicated once signed off by Management. Final procedures to be presented to the Executive Committee on 20 Dec 2018.
5	Purchasing policy implemented.	*				Confirmed with Procurement Manager that the policy was implemented.
6	Purchasing procedures implemented.		~		early Feb 18	The procedures once finalised will be communicated to staff and implemented.
7	Process in place to regularly review and update Council's purchasing policy and procedures.	~				Confirmed in the Procurement Policy that the policy will be reviewed once every 4 years. The Procurement procedures will be reviewed once every 2 years. In the work plan to review once a year.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 18

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
8	Availability of an authorised and documented Statement of Business Ethics	~				Verified to the Statement of Business Ethics dated 10 May 2017. This document is sent to existing and new suppliers.
9	Statement of Business Ethics communicated to the relevant staff.	√				Verified that the Statement of Business Ethics were communicated to staff through email in Dec 2017.
10	Process in place to regularly review and update Council's Statement of Business Ethics.	·				As noted in the document, the Statement of Business Ethics will be reviewed at least each elected term of Council, and each time the Code of Conduct and procurement arrangements are amended.
11	Availability of an authorised and documented Terms and Conditions.	~				Verified to the "Doing Business with Bayside Council" standard terms and conditions.
12	Process in place to regularly review and update Council's Terms and Conditions.	·				BC's terms and condition is in place and will be reviewed inline with the Statement of Business Ethics or changes in the legislation.
13	Procurement team has trained and qualified staff.					Procurement staff have qualification related to Procurement. An annual performance plan includes professional development and training. Learning needs and analysis performed with Learning & Development.

Control Objective 2: To ensure that purchases appropriately support the business objectives of the organisation.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Purchasing authority limits (type and amount) established and entered into TechOne					Financial delegations have been established. The delegation limits is entered into TechOne by IT.
2	System in place to ensure limits are not exceeded	_				Checked to the PO audit trail to confirm that the system does not allow staff without the proper delegation to approved the PO.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 19

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
3	Purchases only made from valid and approved suppliers	√				A form is in place to record new suppliers in the system. Monitoring and compliance of valid and approved suppliers. There are instructions and policy for no PO no payment.
4	Purchasing activities coordinated to reduce wastage and maximum purchasing terms.	~				In the intranet, it was noted that staff must purchase from the preferred supplier contracts. Procurement is in the process of cleansing the supplier list to indicate preferred suppliers. While the supplier list is being cleansed, Procurement will be able to inform the buyer of the preferred supplier. Business Managers monitor expenses to budget to reduce wastage.
5	Purchasing options, e.g. purchase vs. leasing assessed and most suitable option picked	~				The procurement policy notes the value for money for the purchasing options. Discussion with the Procurement Manager indicates that the purchase and leasing options will be assessed for cost effectiveness. However, there were no such instances as yet.
6	Process in place for Procurement staff to regularly reviewing current process to introduce and implement process improvement					The review of processes is included in the Procurement Manager's and Procurement Officer's workplan.
7	Policy in place to ensure that gifts and benefits received in relation to purchasing is relinquished to the organisation.	Ý				Checked to the Statement of Business Ethics to confirm that Council staff are not allowed to keep gifts and benefits received.
8	The above policy is enforced					The Statement of Business Ethics is being enforced. The Statement is circulated to staff and suppliers. An annual mailout to suppliers is also performed to remind them of the gift and benefits policy.
9	Consequences for breach of policy is clearly communicated to all staff.					The consequences for a breach is documented in the Statement of Business Ethics and communicated to all staff. The statement can be accessed by all staff in the intranet. Also, presentation to Leardership team and regular emails to staff.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 20

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
10	Training provided to all staff with purchasing responsibilities to ensure they are aware of their roles and responsibilities and how to respond if there is inappropriate behaviour from a supplier.	~				Training was performed in Nov, Dec 18 and Jan 18 - relational training conducted by Craig Lardner, Procurement Advisory Services. Over 100 staff from BC attended the training. ICAC training arm also conducted training (Feb 18) on corruption, prevention in procurement.
11	Process in place to provide training will be provided on a regular basis.	~				Process is in place to conduct regular training with Learning and Development. Education program is included in the Work plan.

Control Objective 3: To ensure that the appropriate goods/services are obtained at the optimum price and at the relevant time.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Process in place to ensure goods and services obtained at the most economical and fair prices.					The Procurement policy documents the procurement methods and financial threshold to ensure goods and services are obtained at the most economical and fair price. This information is also available on the intranet to all staff.
2	Appropriate quantities of goods and services are ordered to support the organisation in achieving their objectives.			Ý	2019/20 financial period	LftD educational program to be developed to ensure appropriate quantities are ordered.
3	Process in place to prevent under or over ordering of goods and services.					There is a PO process where the orders raised get workflowed to the Manager for approval. Monthly checks with budget are performed. Control is with Managers to check.
4	Process in place to identify/monitor used of unauthorised suppliers when authorised suppliers are available.			~	2019/20 financial period	Monitoring not implemented yet. Building preferred supplier contracts and educating staff on the availability of the contracts. In 2018/19, Procurement will be cleansing the supplier database to distinguish between preferred and non-preferred supplier.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 21

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
5	Purchasing staff keep up to date with market conditions and introduction of new suppliers.	·				Various network functions - local government, NSW government, procurement Australia. Other conferences - fleet conference, forums about emerging technology. Performance Management has a learning and development section. This will identify learning and development gaps and proposed for actions to be taken.
6	Available discounts are suitably utilised.	~				Preferred suppliers should be utilised to taken advantage of discounts. Staff were informed of the preferred supplier list.

Control Objective 4: To ensure that all purchasing activity is valid, justified, authorised and within the prescribed budgets.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Process in place to ensure that purchase orders are authorised prior to purchase	√				TechOne requires the PO to be authorised by the delegated authority.
2	Purchase orders confirmed to be within agreed budget by purchase at point of commitment					The Business Managers when approving the orders ensure that there is adequate budget. Information available on the intranet to inform staff that orders can only be approved when there is an approved budget. Monthly budget report is sent to Business Managers.
3	Process in place to prevent the dispatch of inaccurate, incomplete or ambiguous purchase orders.					The PO is raised by the requestor and the delegated authority review and approved the PO to ensure that the PO is clear and complete. The system will not allow POs with value and no cost centre to be approved by the delegate.
4	Mechanisms in place to prevent the raising and distribution of duplicate purchase orders.					The system does not allow duplicate PO, the system generates sequential PO numbers.
5	Variations to purchase orders are supported with documented evidence, valid and authorised.	V				When the order is amended, the system requires a reason for amendments, this is then workflowed to the Manager for approval.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 22

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
6	Economies of scales considered and maximised when purchasing high volume, repeat items.	~				This is considered when contracts are renewed or new contracts are signed. This will also be included in the L&D program for 2019/20 to educate staff about economy of scale.
7	Consideration given to working with neighbouring Councils to maximise economies of scales and reduce costs.	V				There are contracts that have gone out to market with other Councils. BC is about to go out to market with Southern Sydney Regional Organisation of Council (SSROC) for services related to fire, road signs and traffic control equipment, fleet consumables, HVAC, road vehicles brooms/brushes, GPT and soil and turf services.

Control Objective 5: To ensure that suppliers are reliable, financially stable and able to satisfy the organisation's purchasing demands.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Checks are completed on supplier's financial stability and ability to deliver goods and services prior to selecting them.					The new supplier form requires an ASIC check to be performed for the supplier. This check will be performed for regular suppliers or suppliers with high value items. This does not occur for low value or one-off purchases. Financial checks and reference checks are performed for high risk and complex projects.
2	Process in place to receive feedback from the business on the quality, ability and reliability of suppliers.					Staff can contact Procurement to report. For preferred supplier contracts, there will be an annual review and feedback will be sought from staff. Performance assessment of contractors will be performed by the users of the contracts.
3	Feedback received is used to make effective supplier selection decisions.					Feedback from the users are recorded in content manager (TRIM). SSROC contract folders include contractors' performance.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 23

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
4	Mandatory supplier details are determined, collected and checked for accuracy and reliability.	·				Verified that a 'New Supplier Request" form is used to ensure supplier information collected is checked. Annual email to suppliers which are returned are also used to update the suppliers' master file.
5	Process in place to prevent unauthorised access to supplier information.	~				Supplier information is only accessible by Procurement staff.
6	Process in place to prevent unauthorised changes to supplier information.	·				Supplier information can only be amended by Procurement. Changes made need to be supported by the "Request for Change of Details: Existing Supplier". The changes require a secondary verification by Procurement.

Control Objective 6: To ensure that all goods and services are of an appropriate quality to satisfy the organisation's objectives.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Process in place to ensure that goods supplied and services received are checked to ensure they meet the required standard, specification and quality.					TechOne requires the goods and services receipt to be acknowledged for payment processing. This require the recipient to check the goods and services before acknowledging receipt.
2	Purchase orders have a link to the Statement of Business Ethics online.	Ý				Verified that the POs have link to the Statement of Business Ethics online
3	Purchase orders will provide specific information such as good/service description, prices, delivery locations and freight terms.	Y				Verified that the PO provided specific information
4	Regular and adequate communication between the Procurement function and the rest of the business has been established.					Through regular emails on procurement related matters, regular one-one, leadership presentations, induction program includes Procurement functions, TechOne focus group (meets every 6 weeks).

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 24

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
5	Conflict resolution processes are in place and are working effectively.				2019/20 financial year	The current process is that the matter is escalated to Procurement or Governance to address. This will be included in the Performance Management process in 2019/20
6	Mechanisms developed to detect the supply of substandard, poor quality or inadequate goods/services.				2019/20 financial year	Goods and services are currently being checked when receipted in the system. However, there needs to be education of staff to be incorporated in the L&D plan in 2019/20.

Control Objective 7: To ensure that supplier's trading terms and conditions are appropriate.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Processes in place to ensure that delivery requirements and cancellations are accurate, up to date and being complied with.					Checking is performed when receipting of goods and services to ensure they are accurate. Any cancellation or amendment to the orders will need to be approved by the Manager in the system.
2	Contracts checked with services to ensure appropriate and fair terms and conditions.	Ť				BC has standard terms and conditions. Additional terms and conditions imposed by Suppliers are reviewed by Procurement and Governance.
3	Suitable termination clauses in place to allow for contract arrangements to ended where conditions of the contract is not met.					Termination clauses are included in the standard terms and conditions.

Control Objective 8: To ensure that purchasing activities comply with all the prevailing policies, legislation and regulations.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Mechanisms in place to mitigate invalid, unauthorised and/or fraudulent use of purchase orders.					The requestor raises the PO in TechOne, which will be reviewed and approved by the delegated authority. AP staff have no access to raise PO.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 25

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
2	Disciplinary action for fraudulent use of purchase orders in place and communicated to staff.	~				The disciplinary actions are noted in the Procurement Policy and the Code of Conduct. This is available to staff on the intranet and communicated via email.
3	Consequences of breach of Council's Statement of Business Ethics and Terms and Conditions communicated to all suppliers.	·				The consequences of a breach of Council's Statement of Business Ethics and Terms and Conditions are communicated to the Suppliers via email and the information is available on the internet on the Council's website.
4	Purchasing activities comply with all relevant legislation and regulations.					The Procurement policy was developed to ensure that purchasing activities comply with the NSW Local Government Act 1993, NSW Local Government (General) Regulation 2005 and the Tendering Guidelines for NSW Local Government.
5	Format of contracts and Purchase Orders meet Council's standards and relevant legislations.	√				PO and contracts were developed based on Local Government Act and GIPA act.
6	Process of ordering, receiving and accounting for goods and services are sufficiently and appropriately segregated.	Ý				The ordering and the approval (with delegated authority) is performed by different staff and payment of invoices are performed by AP.

Control Objective 9: To ensure that all purchasing activity is correctly reflected in the organisation's stock control records and accounts.

No	. Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Purchases accurately reflected in inventory control, asset registers and accounting records.					TechOne is used to record purchases in inventory and asset register.
2	Process in place to reconcile invoices to purchase orders and goods/services actually received.					The AP Officers match the invoices to the PO and goods/services received.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 26

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
3	Process in place to ensure that the value of all order commitments and the associated cash flow impact is accurately calculated and accounted for?	V				In TechOne, order commitments, together with actuals will inform the forecasted spend. Reports are generated for the Business Managers to review on a monthly basis to ensure that the order commitments are correctly reflected in their cost centres. The cash flow impact will be determined when the suppliers' invoices are received and processed for payment.
4	Personal purchases for staff are not made through the procurement system.	✓				PO is raised by the requestor and approved by a delegate. The delegate checks the PO before approval. This ensures that personal purchases are eliminated from the procurement system.
5	For goods purchased overseas, process in place to ensure that all the relevant import and foreign exchange regulations have been identified and correctly addressed?				2021	Goods and services ordered overseas do not go through PO system. They are through credit cards. Overseas purchases are limited. This control activity will be reviewed in the future.

Control Objective 10: To ensure that overdue and late deliveries are progressed and appropriately recompensed.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Mechanisms in place to ensure that goods/services supplied are done so in a timely manner and meet the specifications in the purchase order.					The requestor follows up on the order and ensures that the goods and services meet the specification before acknowledging receipt in TechOne.
2	Process in place to identify and progress orders that are overdue.	_				The Procurement Officer generates the report from TechOne for open orders and outstanding orders and follow up with the requestor.
3	Penalty clauses/liquidated damages incorporated into service/supply contracts and enacted when necessary?					BC's standard terms and conditions have a clause for claims. GC21 (for capital works) NSW standard terms of contract includes delay cost and liquidated damages.
4	Process in place to seek compensation when overdue/late deliveries case inconvenience or financial loss.					This is on a case by case basis. The process is documented in standard terms and conditions.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 27

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



Appendix A

Control Objective 11: To ensure that supplier performance is adequately monitored and reacted to.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Process in place to monitor performance of suppliers against all requirements and expectations so that unsuitable, unreliable or poor quality suppliers can be promptly identified and appropriate action taken.				2019/20 financial year	The performance management plan will be developed to include this process.
2	Independent process and communication channels developed to allow management to be aware if the integrity of the procurement function is not upheld and there are suppliers who are either treated with undue preference or bias.	· (The Procurement unit is setup up as a separate section and independent from the Business Operations and Finance. Supplier has direct communication to Procurement. Compliant handling process by customer service. Availability of preferred supplier list. Procurement will conduct a survey to suppliers 2019/20.
3	Rejected and returned goods are correctly identified and a suitable credit claimed and accounted for.					Rejected and returned goods are identified by the recipient. The supplier is informed if a credit note is to be issued. The credit note is processed by AP in TechOne.

Control Objective 12: To ensure that management are provided with adequate, accurate and timely information on purchasing activities.

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
1	Management provided with accurate, timely and relevant information on purchasing activities to support decision making.					Reports to management quarterly on compliance (no PO no pay, PO raised after invoice received). On request, data is provided on procurement planning - amount of spent on a particular goods or service.
2	Trend analysis conducted and reported on spending/purchase patterns across the organisation to identify what is being purchased by whom and how often.		~		Jul-19	Meeting with Procurement Manager & WHS Officer (6/12/18): Currently building the analysis of the supplier orders - preferred supplier, on contract, drill down. Currently, report only available to the Procurement Manager. This will be included in the TechOne PIR.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 28

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



Appendix A

No.	Control description	Complete	In Progress	Not started	Due Date	Audit Comment (based on audit work performed from 5 Dec to 13 Dec 18)
3	Anomalies identified in purchasing spends or habits investigated by the relevant Manager and a suitable explanation obtained, documented and kept on file.				Jul-19	This is dependent on the upgrade of the data and the data analytics which will form part of the TechOne PIR.
4	Management provided with information to provide assurance that there is ongoing full and accurate reconciliation between purchase orders, receipt of goods and balance to budget?				Jul-19	Monthly report shows order commitment provided by Finance partner. Management is also able to access the budget vs actual reporting in TechOne. Procurement is also reviewing orders that are outstanding for follow up with the requestor. Directors and Managers are provided with quarterly data on non-compliant purchase orders where the purchase order is raised retrospectively once invoice is received. Staff who have raised these POs are highlighted in the report. Relevant Managers are notified monthly if they have outstanding Purchase Requisitions that have not been approved by them.
5	Procurement function and process benchmarked against other, similar organisations.					Network session with other Councils, like SSROC and Local Government Procurement. Meeting monthly with SSROC. LGP is meeting as required, but in regular contact.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 29

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



Appendix B

APPENDIX B: Listing of Bayside Stakeholders interviewed

Stakeholders

Bobbi Mayne, Manager Procurement

Matthew Walker, Manager Financial Services



Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 30

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



Appendix C

APPENDIX C: Bayside Council's Risk Assessment Matrix

Risk Ratings	Consequence							
Likelihood	1. Very Low 2. Minor 3. Moderate 4. Major 5. Extreme							
5. Almost Certain	High	Very High	Extreme	Extreme	Extreme			
4. Likely	Medium	High	Very High	Very High	Extreme			
3. Possible	Low	Medium	High	Very High	Extreme			
2. Unlikely	Low	Medium	Medium	High	Very High			
1. Rare	Low	Low	Low	Medium	High			

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 31

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



Appendix C

Likelihood ratings.

Rating	Likelihood	Description	Quantification
1	Rare	The event may occur but only in exceptional circumstances. No past event history.	Once every 50 years or more. Less than 10% chance of occurring.
2	Unlikely	The event could occur in some circumstances. No past event history.	Once every 20 years. Between 10% and 30% chance of occurring.
3	Possible	The event may occur sometime. Some past warning signs or previous event history.	Once every 5 years. Between 30% and 70% chance of occurring.
4	Likely	The event will probably occur. Some recurring past event history	Once a year. Between 70% and 90% chance of occurring
5	Almost Certain	The event is expected to occur in normal circumstances. There has been frequent past history.	Several times a year. Greater than 90% chance of occurring.

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 32

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



Appendix C

Table of Consequences

Consequence Rating	Impact on Council's Objectives	Financial Impact	Operational Impact	Reputational Impact	Compliance Impact	HR Impact	Environmental Impact
Extreme	Most objectives can no longer be achieved Complete revision of long term business model required	More than \$3m pa recurrent impact on operating budget More than \$10m one-off budgetary impact	Key activities and essential services disrupted for over 14 days Death or serious injury / illness to members of the community Sustained and significant dissatisfaction with Council service delivery	Council or senior management, sustain significant adverse national media coverage Reputational damage that will be likely to take many years to repair.	Council removed from office by Minister and Administrator appointed Investigation by ICAC or other agency with compulsory powers to examine witnesses in public hearings into substantial allegations of fraud and / or serious misconduct by Councillors or Officers	Sustained major negative impact on staff morale Serious injury requiring long term medical treatment Loss of life Major sustained breach of WHS Legislation, prosecution, Staff retention less than 80%	Environmental incident causing damage directly leading to extinction of a species of flora or fauna; Toxic chemical spill with enduring contamination and serious human health consequences requiring closure or isolation of land
Major	A number of significant business objectives can no longer be achieved	Between \$1m and \$3m recurrent impact on operating budget, one off impact between \$5m and \$10m.	Key services disrupted for between 2 and 14 days significant reductions in customer satisfaction injury or property damage resulting in litigated claims against Council	Investigation by external body resulting in substantive negative findings significant adverse media at state and local level significant & well publicised outcry from residents, long story life.	Council required to show cause why it should not be suspended from Office by Minister. Council issued with Performance Improvement Order(s) by Minister concerning substantial matters of Councillor and/or Officer conduct. Council found to be criminally liable Council found to be liable for penalties and/or damages >\$5m	Major one-off breach of work place legislation Major localised negative impact on morale Lost time injuries requiring major medical treatment, Staff retention rate between 80% and 85%	Environmental incident causing significant damage to threatened species or habitat and / or seriously endangered ecological community

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 33

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



Appendix C

Consequence Rating	Impact on Council's Objectives	Financial Impact	Operational Impact	Reputational Impact	Compliance Impact	HR Impact	Environmental Impact
Moderate	Some important business objectives can no longer be achieved	Between \$200k and \$1m recurrent impact on operating budget one off impact between \$1m and \$5m	Key services disrupted for between 1 and 2 days short term or isolated reductions in customer satisfaction minor injury or property damage claims.	Medium term local media coverage concerns from sections of the community governance breaches or failures notified to external bodies but dealt with internally.	Council Convicted for breach of legislation in Court or Tribunal	Minor breach of workplace legislation short duration lost time injury requiring minor medical treatment staff retention rate between 85% and 90% negative impact on morale.	Pesticide spill into waterway causing harm to native species Inappropriate pesticide use at playgrounds Exposing acid sulphate soils in recreation area
Minor	Some reprioritisation of resources to enable business objectives to be achieved	Between \$50k and \$200k recurrent impact on operating budget one off impact between \$0.2m and \$1m	Key services disrupted for <1 day one-off reductions in customer satisfaction minor injury or property damage not resulting in a claim on Council	Short term local media coverage heightened concerns from narrow group of residents governance breaches or failures dealt with internally without the need for external referral	Council issued minor fine or penalty for breach of legislation in court or tribunal and / or ordered to pay compensation or damages pursuant to breach	Short term impact on staff morale minor injuries or illness from normal activities treated by first aid.	Pollution of waterways with sediment runoff due to incorrect construction site management Minor breach of environmental licence resulting in court attendance notice
Low	Little or no impact on business objectives	<\$50k recurrent impact on operating budget, one-off impact <\$0.2m.	Usual scheduled interruptions unscheduled interruptions for <4 hours.	One off insignificant adverse local media or public complaints.	Council issued with fixed Penalty Infringement Notice for breach of legislation	Localised raising of concerns by staff Isolated incidents and/or 'near miss' occurrences.	Tree removal in environmentally sensitive area leading to protest and local environmental concern lsolated infringement of environmental licence leading to fixed penalty

Bayside Council - Follow-up of Procurement Health Check conducted in 2017-18 - December 2018

Page 34

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

Bayside Council ("Bayside")

Payroll Health Check Follow Up

January 2019

FINAL





DISTRIBUTION

Party	Title
Meredith Wallace	General Manager
Michael Mamo	Director City Performance
Kristina Forsberg	Manager People & Organisational Culture
Fausto Sut	Manager Governance & Risk
Sean Pascoe	Partner, BDO
Steve Kent	Associate Director, BDO /Acting CAE Bayside Council

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

2



TABLE OF CONTENTS

1.	EXECUTIVE SUMMARY	5				
1.1	Background	5				
1.2	Objective and scope	5				
1.3	Approach	5				
1.4	Overall status of controls	6				
1.5	Summary of findings	7				
1.6	Overall risk rating	7				
1.7	Acknowledgement	7				
1.8	Report clearance	7				
2.	DETAILED FINDINGS	8				
2.1.	Independent review of audit trail reports	8				
2.2.	Duplicate employees	10				
2.3.	Termination Payments	12				
2.4.	Leave balances and accrued leave liability (for information)	14				
2.5.	Lack of a process to identify duplicate bank account details	16				
2.6.	The reconciliation between the payroll system and TechOne is incomplete	17				
APPE	IDIX A: Detailed Payroll Health Check 2018 /19	20				
APPE	APPENDIX B: Listing of Bayside Stakeholders interviewed					
APPE	PPENDIX C: Bayside Council's Risk Assessment Matrix 52					

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.



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 personnel. We have not attempted to verify these sources independently unless otherwise noted within the report.

Limitation of Use

This report has been prepared in accordance with the approved Statement of Work dated 29 November 2018 and is intended solely for the information and internal use of Bayside 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 or for any reliance that may be placed on this report by any party other than Bayside.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

4



Executive Summary

1. EXECUTIVE SUMMARY

1.1 Background

In 2017-18, a health check was performed in relation to Payroll processes. Control objectives and the status of associated control activities had been identified.

The control objectives and control activities are documented in the health check checklist which is used to assess the maturity of the controls and monitor status and progress of the control implementation.

This internal audit is a follow up of the above health check and is being undertaken as part of Bayside Council's (Bayside) approved Internal Audit Plan for the year ending 30 June 2019.

1.2 Objective and scope

The purpose of this internal audit was to follow up on the Payroll processes health check performed during 2017-18. We reviewed the progress and quality of control implementation and have provided an update on the status of implementation of controls.

The scope of the review is limited to the Payroll process.

1.3 Approach

The following approach was undertaken during the internal audit:

- · We held a kick off meeting with key stakeholders;
- We obtained the health check reports and checklists for the Payroll process and reviewed the progress to date as recorded in the reports and checklist:
- We assessed and evaluated actions that have been completed;

- We assessed and evaluated those actions that were not implemented or were in-progress and obtained information on actions to be undertaken and completion dates;
- We interviewed Bayside personnel responsible for implementation of actions (refer Appendix B);
- We examined relevant documentation and/or sighted physically completed implementations to determine actions completed or inprogress;
- We conducted an exit meeting with the relevant Council's staff following completion of the fieldwork to discuss:
 - Our findings;
 - Recommendations for control improvements in relation to those findings; and
 - o Management's response to our findings and recommendations; and
- We prepared draft and final reports of findings and cleared with Management.



Executive Summary

1.4 Status of controls

Based on the detailed Payroll Health Check Follow - up outlined in Appendix A, we have prepared a summary of the status of the implementation of controls and residual risk and this is set out below:

Control Objective No.	Control Objective Description	Total # of Controls	Implemented	In Progress	Not Started	Not Applicable	Residual Risk
1	To ensure that only valid employees are paid and at the correct and authorised rate.	30	21	9	-	-	Medium
2	To ensure that the calculations of all payments and deductions are correct and in accordance with the relevant taxation and other regulations and requirements.	9	7	1	1	-	Low
3	To ensure that all deductions are correctly disbursed.	2	2	-	-	-	Low
4	To ensure that unauthorised access to the payroll system, data and cash (where relevant) is prevented	6	3	2	-	1	Low
5	To ensure that all payroll transactions are accurately reflected in the accounting system.	4	1	3	-	-	Medium
6	To ensure that regular and accurate management and statutory information is produced.	2	1	1	-	-	Low
	OVERALL	53	35	16	1	1	Medium

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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

1.5 Summary of key findings

Since the health check carried out in 2017/18, some improvements have been made in relation to the implementation and quality of controls in order to manage operational and compliance risks. As highlighted in Section 1.4 above, a significant number of controls have been implemented. However, there are some controls that are in the process of being implemented or not started (1). As recognised by Management, there continues to be room for further improvement. We have summarised below the improvements and controls that are being implemented as shown in Section 1.4 above:

- Section 2.1- The process over the independent review of Audit Trail Reports does not fully minimise the risk of unauthorised changes to payroll data. Timing of this review and the persons who perform this review requires some modification (Risk: Medium).
- Section 2.2 iChris does not prevent the creation of duplicate employees. Discussions with the Payroll Coordinator indicated that such errors have occurred in the past as employees may have been set up on the system before they commenced work. There is a risk that duplicate employees are established and paid more than once. Employees legitimately paid more than once should be reviewed as part of the EFT check to ensure that individuals are not paid under two payroll numbers. (Risk: Low).
- Section 2. 3- Termination payments are not authorised by the employee's manager or a manager with financial delegation. There is a risk that termination payments are incorrect and unauthorised (Risk: Low).
- Section 2.4 Management is aware of the inaccuracies in leave balances and leave liability accruals and have commissioned an internal review to rectify them. (Risk: Medium).

- Section 2.5 While audit trail reports exist for changes to bank account details, there is no process in place to identify duplicate bank account details that could result in fraudulent activity. (Risk: Low).
- Section 2.6 The reconciliation between the payroll system and TechOne is incomplete. There is a risk that all payroll transaction may not be correctly reflected in the accounting system. (Risk: Medium).
- CO1.23: There are some gaps in documenting payroll policies and procedures and these are in the process of being documented (Risk: Low).

Details of the above findings have been included in Section 2 of this report.

The detailed Payroll Health Check has been included in Appendix A.

1.6 Overall Risk Rating

Medium. This rating is primarily the result of the matters discussed in Section 1.5 above and the number of items not implemented.

Risk ratings have been based on Bayside Council's Risk Management Strategy. The Risk Matrix, Likelihood and Consequence tables have been included in Appendix C.

1.7 Acknowledgement

We would like to take this opportunity to thank the management and staff of Bayside for their co-operation and assistance during the course of the review.

1.8 Report clearance

The content of this report has been discussed and agreed with the Manager POC and other key stakeholders.

Yours sincerely

Sean Pascoe
Partner, BDO Risk Advisory

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

7



Detailed Findings

2. DETAILED FINDINGS

2.1. Independent review of Audit Trail Reports (Ref: CO1)

Risk Rating

Low

Observations

Access to set up individuals has been separated between HR and Payroll. Two users are needed to set up an employee on iChris payroll. HR inputs are checked by Payroll staff and the information input by Payroll staff is checked by an independent Payroll staff.

However, the process over the current review of Audit Trail Reports does not fully minimise the risk of unauthorised changes to payroll data. Audit trail reports are run on weekly basis and reviewed and signed by payroll staff who were not involved in the establishment/changes to employee information. However:

- This review is performed post-pay run.
- This is a manual control over separation of duties to prevent unauthorised establishment/modification to employee pay data. Controlling
 whether an un-associated individual has reviewed changes would be an onerous task.

Additionally, there are two super users of the iChris System, being the Payroll Coordinator POC (Sandra Kapsalis) and Manager IT (Wendy). They have full access to production data and the entire functionality of the system. Any changes made by them, including changes to user access, are not independently reviewed.

Risks/Implications

There is a risk that unauthorised changes to employee Masterfile data may not be effectively identified.

Recommendations

Consideration be given to the following to ensure that the risk of unauthorised changes to employee payroll data is minimised:

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

8



Detailed Findings

R1. As this internal audit was simply a health check, a more detailed review of access controls should be performed by Internal Audit to evaluate whether the separation of duties have been adequately implemented.

R2. The review of audit trail reports should be performed prior to the pay run being executed. This review is currently being performed post-pay run.

R3. Audit trail reports of modifications made by super users (including the set up or modification to iChris users) should be reviewed by the Manager POC.

R4. There would be merit in evaluating whether individuals (e.g. Manager POC) who do not have any update access to employee Masterfile data should review any associated modifications.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R1. Request that the Internal Audit verify this process	Manager Governance & Risk	December 2019
R2. Audit trail reports of modifications made by super users (including the set up or modification to iChris users) are being reviewed by Manager POC.	N/A	Completed
Audit trail reports are currently reviewed prior to pay run		
R3. The Manager, People and Organisational Culture to commence the review of modifications made by super users for the pay ending 20 January 2019	Manager, POC	20 January 2019
R4. The Manager, People and Organisational Culture to commence the review of Masterfile data and any associated modification for the pay ending 20 January 2019	Manager, POC	20 January 2019

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.



Detailed Findings

2.2. Duplicate employees (Ref: CO1)

Risk Rating

Low

Observations

iChris does not prevent the creation of duplicate employees. Discussions with the Payroll Coordinator indicated that such errors have occurred in the past as employees may have been set up on the system before they commenced work. There is no system warning that a person with the same name is being established on iChris.

However, it should be noted that there could be a single employee with multiple payroll numbers being legitimately established on iChris. This occurs where an employee has two contracts of work for two separate roles at Bayside. iChris does not prevent both of these from being paid in the same pay run and is currently reliant on a manual review of audit trail reports. POC is currently investigating a system control.

Risks/Implications

There is a risk that duplicate employees are established and paid more than once.

Recommendation

R5. In the interim, employees paid more than once should be reviewed as part of the EFT check to ensure that individuals are not paid under two payroll numbers.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

10



Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
R5 Payroll will run a report each week of duplicate employees to check the validity of the duplication.	Coordinator, Payroll	20 January 2019
(Please note that staff can be paid under two payroll numbers. This occur when the position are two different positions.)		

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.



Detailed Findings

2.3. Termination Payments (Ref: CO1)

Risk Rating

Low

Observations

Processes are in place to ensure that payments are only made to current staff and not made to invalid or unauthorised individuals. However, in relation to terminations, there is a risk that an incorrect termination date is input, a termination date is not entered by HR/Payroll or a termination is not advised by the Business Unit, resulting in an incorrect salary payment. Discussions indicate that there have instances when this has occurred. However, any excess payments have been recouped from termination payments.

There is an excel spreadsheet, as well as an iChris termination calculation wizard that are used to calculate termination pay. While all termination calculations are reviewed by the Payroll Coordinator/Finance, there is no formal authorisation / review by the terminated employee's manager and/or a manager with appropriate financial delegation.

Risks/Implications

There is a risk that termination payments are incorrect and not authorised.

Recommendation

R6. Termination payments should be reviewed and authorised by the employee's manager and/or a manager with appropriate financial delegation.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R6. POC is developing a report that will improve the detection of this risk in a timely manner. Each Business Unit Manager will receive a report	Coordinator, Payroll	1 June 2019

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

12



Detailed Findings

of pays for the previous week to confirm that only valid salary payments have been made.

(Please note that the review is occurring in relation to the accuracy of the termination payment. Managers do not have the skills and knowledge to review a termination pay. Managers can confirm that the person has left or going to leave the organisation. The risk here is the unauthorised payment if the person has not left the organisation or that the person has left the organisation on payroll has not been notified of the departure.)

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

13



Detailed Findings

2.4. Leave balances and accrued leave liability (Ref: CO1)

Risk Rating

Medium

Observations

Leave and leave/pay is authorised by the Business Unit Manger or Coordinator. Leave will not be processed without an approved form. Attendance sheets are maintained by Business Units. POC sends leave reports from the system to business unit managers to confirm the leave recorded. The Manager will revert if there is a discrepancy. A leave planner is also in place.

However, during the iChris implementation issues were identified by POC in regard to leave, leave balances and accrued leave liability. The issue had arisen due to errors in recording and calculating leave liability in legacy systems when staff were on leave without pay or when overtime hours were charged. There is an internal leave audit underway which involves a manual review of the leave from date of joining, as well as evaluating the legacy system balance. Any adjustments to the leave balances and leave liability will be performed subsequently.

Risks/Implications

There is a risk that leave balances and leave liability accruals are incorrect.

Recommendation

R7. The lack of an electronic time and attendance system to ensure timely leave management may be one of the causes of this issue. The planned implementation of HR21, including a self-service module could alleviate this issue. Also, while there could still be some delay in leave recording, confirmation of the above mentioned reports by the manager may reduce the impact on leave liability accrual.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

14



Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
R7. The leave audit completed 1 February 2019 and iCHRIS is set up to calculate leave accrual and deductions correctly and in accordance with the Local Government State Award.	Coordinator, Payroll	1 February 2019
ICHRIS self service will be implemented which will tighten how managers control that leave taken has actually been recorded in the system.		December 2019

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

15



Detailed Findings

2.5. Lack of a process to identify duplicate bank account details (Ref: CO2)

Risk Rating

Low

Observations

While audit trail reports exist for changes to bank account details, there is no process in place to identify duplicate bank account details. Primary bank account details can only be set up or established by HR or one of the super users. Secondary bank account details (including for specific deductions required by employees) can be set up or changed by payroll staff.

Risks/Implications

There is a risk of fraud being perpetrated.

Recommendation

R8. A one off check should be performed to ensure any duplicate bank accounts are valid/legitimate. Subsequent checks should be performed say annually.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R8. An initial audit report has been completed and identified a handful of duplicate bank account which all were valid. An audit report will be completed biannually	Coordinator, Payroll	Completed

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

16



Detailed Findings

2.6. The reconciliation between the payroll system and TechOne is incomplete (Ref:CO5)

Risk Rating Medium

Observations

A GL interface file is created after each pay run which is sent to the Finance Manager for uploading to TechOne. The accounts to which payroll transactions are posted have been set up within iChris for each type of salary payment (e.g. Normal, Overtime), allowance and deduction. When this file is uploaded to TechOne, validation errors are generated that are reviewed and corrected prior to posting. However, discussions with the Finance Manager have indicated that there are inherent errors arising due to work orders input during time sheet entry by payroll that override the native accounts set up on iChris. Such validation errors are currently not being corrected until the root cause is addressed and the error batches are being posted to a suspense account.

A reconciliation is performed between the PRD (Pay run Detail report) with the LPS (Ledger Posting Report) by Payroll. However, there is a lack of reconciliation between these reports and the interface file at the individual account level to ensure that all pay transactions have accurately updated the correct account in the GL. This reconciliation process is being developed by the Manager Finance whereby the GL accounts that have been updated will be reconciled with the PRD.

Some compensatory controls identified are:

- Subject to issues relating to costing of salary payments discussed above, there is the correction of validation errors identified during the upload process.
- Manual accuracy checks are performed by the Manager Finance on the interface file, such as veracity of the account structure, debits equal
 credits and clarifying any visible adjustments with Payroll Coordinator.

Risks/Implications

There is a risk that all payroll transaction may not be correctly reflected in the accounting system

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

17



Detailed Findings

Recommendation

R9. The reconciliation between the TechOne and the iChris (PRD Report) be developed and implemented.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R9. Thorough training has been provided to the payroll officers to ensure that they do not override the natural account.	Coordinator, Payroll	Completed and ongoing
A TCL Report (Time Sheet List) is produced every week to review that the natural accounts are correctly applied. For example, the natural account number for annual leave is checked against annual leave taken.	Coordinator, Payroll	Completed
Investigating if the system can provide a flag or a pop up box to alert the payroll officer of an invalid or unauthorised action.	Coordinator, Payroll	April 2019
Reconciliation process has been developed and implemented on a global basis as part of the monthly financial control and reconciliation process. This process has verified that all ICHRIS payroll transactions for 2018/19 year to date have been captured and recorded in the Technology One financial systems. Further improvements to the reconciliation process are being developed and will include the reconciliation of the costing allocation level.	Manager Finance	June 2019

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

18



Detailed Findings

However the timing of this will coincide with the implementation of the Technology Post Implementation Review roadmap and also future post implementation review of ICHRIS, which may result in a simpler costing allocation via the ICHRIS payroll system. Also included in this process will be the review of the process and system used to calculate and record employee oncosts for employee leave entitlements

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

19



Appendix A: Detailed Payroll Health Check

APPENDIX A: Detailed Payroll Health Check 2018/19

Control Objective 1: To ensure that only valid employees are paid and at the correct and authorised rate.

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	Process in place to provide all staff with a payroll starter pack at induction which includes the necessary Council and regulatory forms and documents.	✓					HR will provide all staff with a payroll starter pack. The employee needs to be set up on iChris by HR initially to enable Payroll staff to update salary information. This aspect is effectively segregated.
2	All current and valid staff set up in the payroll system.		✓			12/18	An employee needs to be set up on iChris by HR initially to enable Payroll staff to update salary information. This aspect is effectively segregated
							Email to payroll that new person has commenced. HR establish the individual along with pay details. Payroll will set up Super, bank details, Tax file details, allowances or deductions.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

20



Appendix A: Detailed Payroll Health Check

lo.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
							Audit trail reports are run on weekly basis and reviewed and signed by payroll staff who were not involved in the establishment/changes to employee information. However, this review is performed post-pay run. Timing of this review has proactively been changed and will now be performed before the pay run is executed. (Please note this has been changed and the report is run prior.)
							This is a good control over accuracy of information, albeit a manual control over separation of duties to prevent unauthorised establishment/modification to employee pay data. There would be merit in evaluating access controls where there are individuals (e.g. Manager POC) who do not have any update access to employee master data to review any associated modifications. Controlling whether an un-associated individual has reviewed changes would be an onerous task.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

21



Appendix A: Detailed Payroll Health Check

No.	Control description	Complete	In Progress	Not star	yet ted	N/A	Due Date	Controls/processes
								It should be noted that there are two known super users of the iChris System, being the Payroll Coordinator POC (Sandra Kapsalis) and Manager IT (Wendy). They have full access to production data and the entire functionality of the system. The same consideration over controlling whether an un-associated individual has reviewed changes should be given.
								Recommendations:
								Consideration should be given to the following to ensure the risk of unauthorised changes to employee payroll data is minimised:
								 As this review was simply a health check, a detailed review of access controls should be performed by Internal Audit to evaluate whether separation of duties have been adequately implemented.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

22



Appendix A: Detailed Payroll Health Check

There would be merit in evaluating access controls where there are individuals



Appendix A: Detailed Payroll Health Check

No.	Control description	Complete	In Progress	Not star	yet ted	N/A	Due Date	Controls/processes
								(E.g. Manager POC) who do not have any update access to employee master data to review any associated modifications.
								Audit trail reports of modifications made by super users (including the set up or modification to iChris users) should be reviewed by Manager POC. (Now Implemented)
								 The review of audit trail reports should be performed prior to the pay run being executed. This review is currently being performed post-pay run. (Now Implemented)
3	Payroll system prevents the set-up of an employee if all the mandatory fields have not been filled in.	√						Prompts, warnings and mandatory field completion prevent further progress when using IChris Wizards.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.



Appendix A: Detailed Payroll Health Check

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
4	Process in place to ensure that creation of new staff on the payroll system is checked and verified by staff independent of the input (segregation of duties).	√					See 2 above: • Access to set up individuals has been separated between HR and Payroll. 2 users are needed to set up an employee on iChris payroll.
							 HR inputs are checked by Payroll staff and the information input by Payroll staff is checked by an independent Payroll staff.
							These reviews will be evidenced on a checklist that is currently under development. POC is working on a checklist to ensure accurate completion of all steps, including review and checking of employee establishment and modifications on iChris. Each step will be signed by the person performing it
							However, audit trail report reviews need to be improved as noted in 2 above.
5	System prevents the creation of duplicate staff entries.	✓					The system does not prevent the creation of duplicate employees.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

25



Appendix A: Detailed Payroll Health Check

(Please note that control measures has been put in place - completed for pay ending 20 Jan 2019)



Appendix A: Detailed Payroll Health Check

No.	Control description	Complete	In Progress	Not st	yet arted	N/A	Due Date	Controls/processes
								Discussion indicated that such errors have occurred in the past as employees may have been set up on the system before employee's commenced work. There is no system warning that a person with same name is being established on iChris.
								However, it should be noted that there could be a single employee with multiple payroll numbers being legitimately established on iChris. This occurs where an employee has 2 contracts of work for 2 separate roles at Bayside. iChris does not prevent both these from being paid in the same pay run and is currently reliant on a manual review of audit trail reports. POC is currently investigating a system control.
								Recommendation:
								In the interim, employees paid more than once should be reviewed as part of the EFT check to ensure that individuals are not paid under 2 payroll numbers.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

27



Appendix A: Detailed Payroll Health Check

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
6	Access to payroll system limited to essential staff only.	✓					Yes. However, as noted in 2 above, a review needs to be performed to ensure that it is appropriate.
7	Process in place to prevent the set-up of invalid or fictitious employees on the system.	√					Access to set up individuals has been separated between HR and Payroll. Two users are needed to set up an employee on iChris payroll. HR inputs are checked by Payroll staff and the information input by Payroll staff is checked by an independent Payroll staff. However, audit trail report reviews need to be improved as noted in 2 above.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.



8 Process in place to ensure that payments are only made to current staff and not made to invalid or unauthorised individuals. Appendix A: Detailed Payroll Health Check

06/19 As in 7 above.

However, in relation to terminations, there is a risk that an incorrect termination date is input, a termination date is not entered by HR/Payroll or a termination is not advised by the business unit resulting in an incorrect salary payment.

Discussions with

The Payroll Coordinator indicate that there have instances when this has occurred. However, any excess payments have been recouped from termination payments.

POC is developing a report that will improve the detection of this risk in a timely manner. Each Business Unit Manager will receive a report of pays for the previous week to confirm that only valid salary payments have been made.

9 Audit trail of changes made to the payroll master data file exists and is readily available.

Yes. Audit trail logs are created by the system to identify changes to data, the previous value, and the user who made them. Access to these logs is restricted and can be generated for any past period. However, as discussed in 2 above, audit trail report reviews requires improvement.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

29



Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

Item 5.7 – Attachment 3

30



12 Segregation of duties between changing and authoring payroll details exist.

Appendix A: Detailed Payroll Health Check

Yes. However, changes made by the Payroll Coordinator and the Manager IT (as super users) are not reviewed or authorised by the Manager POC.

Refer 2 above for the recommended action. (Now implemented)

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

31



Appendix A: Detailed Payroll Health Check

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
13	Leave requests, including flex time and leave without pay, are properly authorised by a Team Leader/Manager prior to being processed.	V					Yes. Leave and leave/pay is authorised by the Business Unit Manger or Coordinator. Leave will not be processed without an approved form. Attendance sheets are maintained by business units. POC send leave reports from the system to business unit managers to confirm the leave recorded. The Manager will revert if there is a discrepancy.
14	All leave is entered into the system in a timely manner and accurately accounted for against the employee's profile.		√			12/19	A leave planner is in place. Also the leave report noted in Item 13 above is sent to Managers to confirm whether leave has been accurately recorded.
							Issues have been identified by POC in regard to the leave, leave balances and accrued leave liability. The issue was identified during iChris implementation and has arisen due to errors in recording and calculating leave liability in legacy systems when staff are on leave without pay or when overtime hours are charged. There is an internal leave audit underway which involved a manual review of the leave from date

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

32



Appendix A: Detailed Payroll Health Check

of joining as well as evaluating the legacy system balance.

Any adjustments to the leave balances and leave liability will be performed subsequently.

The lack of an electronic time and attendance system to ensure timely leave management may be one of the causes of this issue. The planned implementation of HR21 including a self-service module could alleviate this issue. Also, while there could still be some delay in leave recording, confirmation of the above mentioned reports by the manager may reduce the impact on leave liability accrual.

15	Payroll salary rates are correct and reflect the agreed pay scales.	√	Yes. These are confirmed during employee establishment and reviews of audit trail reports.
16	Employees only paid for work hours completed.	✓	Indoors staff are paid weekly on standard hours.

Outdoors staff are paid based on submitted and approved timesheets. If timesheets are not completed prior to cut-off (Monday 10am), salary payment

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

33



17

Appendix A: Detailed Payroll Health Check

is made against any Annual or Long Service Leave balance.

Where there are no leave balances, payment is not made.

Reversals/adjustments are made for timesheets provided late in the following week's pay run.

Changes to payroll information e.g.

Overtime, bonus, pay increases, are properly authorised prior to processing and payment.

01/19 Yes. Overtime, bonus, pay increases are approved by business unit managers prior to processing any

changes in iChris.

However, audit trail reports are reviewed post pay run by individuals independent of the input. While the Payroll Coordinator reviews and signs off on the EFT report, audit trail reports are not reviewed/approved either by the Payroll Coordinator or Manager POC. Additionally, changes made by the Payroll Coordinator and the Manager IT (as super users) are not reviewed or authorised by the Manager POC.

Refer 2 above for the recommended action.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

34



Appendix A: Detailed Payroll Health Check

(Please note that payroll reports are reviewed prior to pay run)

18	Exception payments, where relevant, are properly authorised prior to processing and payment.	✓	Yes. Approved by business unit manager prior to processing.
19	Exception reports run and checked by an individual independent of the changes for every pay run.	V	Yes, with the exception that changes made by the Payroll Coordinator and the Manager IT (as super users) are not reviewed or authorised by the Manager POC.
20	Terminations pays are accurately calculated, with the necessary documents attached as supports for the payment amount.	✓	There is a risk that an incorrect termination date is input, a termination date is not entered by HR/Payroll or a termination is not advised by the business unit resulting in an incorrect salary payment. Discussions with Payroll Coordinator indicate that there have instances when this has occurred. However, any excess payments have been recouped from termination payments. POC is developing a report that will improve the detection of this risk in a timely manner. Each Business Unit Manager will receive a report of pays for the previous week to confirm that

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

35



Appendix A: Detailed Payroll Health Check

				only valid salary payments have been made.
21	Process in place to ensure that termination pay is reviewed by the relevant Manager/Director for their information and to confirm accuracy.	•	May 2019	There is an excel spreadsheet as well as an iChris termination calculation wizard that are used to calculate termination pay. This is reviewed by the Payroll Coordinator. Complex termination payments are reviewed by Finance. Discussions with the Payroll Coordinator indicate that there is no formal authorisation / review by the terminated employee's manager and/or a manager with financial delegation
22	Staff are paid regularly and in a timely manner.	✓		Yes. Weekly pay run in arrears on Thursday.
23	Availability of up to date payroll policies and procedures.	~	12/19	Policies have been developed. Operating procedures for HR and Payroll including those for Higher Duties, Time in lieu are being developed.
24	Payroll policies easily communicated to staff and are easily accessible.	✓		Yes on intranet for existing policies

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

36



Appendix A: Detailed Payroll Health Check

No.	Control description	Complete	In Progress	Not st	t yet arted	N/A	Due Date	Controls/processes
25	Clear oversight of the payroll system and process as required by the policies, procedures and best practice, ensuring proper sign-off, authorisation and supporting documentation.		✓				12/19	Payroll procedure are being developed.
26	Responsibilities for the payroll function has been defined and allocated.	✓						Position descriptions have been developed for all personnel that highlights their role within Payroll.
27	Payroll staff have been cross trained to allow for job rotations	✓						Yes. On the job training.
28	Payroll staff are appropriately (professionally) qualified and suitably experienced.		✓				12/19	Only one staff member has a payroll diploma. There is no formal training, only on the job training. All payroll staff have undertaken iChris training. Once procedures are developed, training is planned for staff and that the training is objective based.
29	Payroll staff are aware of best practice and where and types of payroll fraud that can occur.	√						TAPS membership - Association for Payroll Specialists - all staff are members and are on the mailing list for the weekly newsletter. Any legislation

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

37



Appendix A: Detailed Payroll Health Check

				changes and good practice matters are included in the newsletter.
30	Clear escalation/reporting processes in place to report suspicions or occurrences of fraud in a timely manner.	✓	12/18	Refer 2 above.



Appendix A: Detailed Payroll Health Check

Control Objective 2: To ensure that the calculations of all payments and deductions are correct and in accordance with the relevant taxation and other regulations and requirements.

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	Mechanisms in place for the payroll team to detect and remediate non-compliance with current legislation.	~					iChris is configured to current legislation and was tested when implemented. Current tax rates and schedules have been implemented in iChris. Any updates are based on information and system upgrades advised by Frontier the developers of iChris. Any upgrades/updates are done in the test environment, tested by Payroll then moved to production. Knowledge of legislation changes is through TAPS membership
2	Process in place to ensure that amounts paid via the payroll system are accurately calculated.	✓					Before the pay run is executed a reasonableness check is performed by running CALPRO to evaluate whether pays are within tolerance based on standard hours. Variations are analysed and confirmed prior to pay run. Variations are primarily due to Leave without pay, higher duties, overtime, and long service leave.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

39



Appendix A: Detailed Payroll Health Check

There is also a check to ensure that all time sheets have been received and input into iChris. The EFT report is also reviewed and checked for employees (other than Directors, Managers, Coordinators) receiving net pays in excess of 1600\$/week to ensure pays are valid. Mechanisms in place to iChris is configured to current legislation and was tested when implemented. Current tax rates and prevent the incorrect calculation of income tax and schedules have been implemented in iChris. Any other statutory deductions. updates are based on information and system upgrades advised by Frontier the developers of iChris. Any upgrades/updates are done in the test environment, tested by Payroll then moved to production. Leave entitlements are in line with 02/19 Issues have been identified by POC in regard to company policy and legislative the leave, leave balances and accrued leave requirements. liability. The issue was identified during iChris implementation and has arisen due to errors in recording and calculating leave liability in legacy systems when staff are on leave without pay or when overtime hours are charged. There is an internal leave audit underway which involved a manual review of the leave from date of joining as well as evaluating the legacy system balance.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

40



Appendix A: Detailed Payroll Health Check

			Any adjustments to the leave balances and leave liability will be performed subsequently.
			The lack of an electronic time and attendance system to ensure timely leave management may be one of the causes of this issue. The planned implementation of HR21 including a self-service module could alleviate this issue. Also, while there could still be some delay in leave recording, confirmation of the above mentioned reports by the manager may reduce the impact on leave liability accrual.
aut	eave taken is supported by an athorised leave form and curately accounted against ave balances in the system.	~	Leave is authorised by the Business Unit Manger or Coordinator. Leave will not be processed without an approved leave form. Attendance sheets are maintained by business units. POC send leave reports from the system to business unit managers to confirm the leave recorded. The Manager will revert if there is a discrepancy.
tha dec dec	echanisms in place to ensure nat welfare and other relevant eductions accurately calculated, educted from salaries and paid to e relevant legislative bodies.	√	Tax, Super, Union fees etc. All deductions are interfaced to the GL and into the relevant creditors. Reconciliations and evaluations are in place to compare the pay run with creditors and the EFT reports before any funds are released.
	echanisms in place to nsure that superannuation is	✓	As in 6 above.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

41



Appendix A: Detailed Payroll Health Check

accurately calculated and paid into employees' nominated super account in a timely manner.

Duplicate bank account details No process in place to identify duplicate are picked up and investigated bank account details. to ensure fraudulent activities As discussed above, audit trail reports exist are not occurring. for changes to bank account details. Primary bank account details can only be set up or established by HR or one of the super users. Secondary bank account details (including for specific deductions required by employees) can be set up or changed by payroll staff. Recommendation: A one off evaluation should be performed to ensure any duplicate bank accounts are valid/legitimate. Subsequent evaluations should be performed say annually. Please note that control measures have been implemented as per recommendations. Statutory payroll outputs are Yes. Superannuation payments are accurately produced and uploaded to super stream weekly. Creditors distributed in accordance with including the ATO are paid weekly the required timetables.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

42



Appendix A: Detailed Payroll Health Check

Control Objective 3: To ensure that all deductions are correctly disbursed.

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	Processes in place to provide management with assurances that income tax and other deductions are accurately calculated and disbursed.	√					Yes as in Control Objective 2 above including finance and payroll reconciliations discussed in Control Objective 5.
2	Payroll system set up to accurately calculate net salary and account for all disbursements.	√					Yes as in Control Objective 2 above including finance and payroll reconciliations discussed in Control Objective 5.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

43



Appendix A: Detailed Payroll Health Check

Control Objective 4: To ensure that unauthorised access to the payroll system, data and cash (where relevant) is prevented

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	Accuracy of data used from other systems as input into the payroll system is checked and ensured prior to use.				V		N/A. There are no systems that interface with iChris. Mercury Recruitment and HR21 are yet to be implemented.
2	Payroll system protected from misuse or unauthorised access.	√					User access is managed by the Payroll Coordinator and IT Manager (super users).
3	Payroll system prevent the entry and processing of duplicate payroll payment data	√					Before any pay run is executed a reasonableness check is performed by running CALPRO to evaluate whether pays are within tolerance based on standard hours.
							Variations are analysed and confirmed prior to pay run. Variations are primarily due to Leave without pay, higher duties, overtime, and long service leave.
4	Processes and mechanisms in place to prevent staff fraud of malpractice relating to payroll.		✓			01/19	Separation of duties and review of audit trail reports. However, as noted in CO1, improvements are required.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

44



payroll.

5 Sensitive and confidential payroll data protected against unauthorised access.

Segregation of duties between inputting, processing, amending, reviewing, authorising and paying of

Appendix A: Detailed Payroll Health Check

User access is managed by the Payroll Coordinator and IT Manager (super users).

HR, Payroll and Finance have access to all pay details. Some fields are hidden from certain users e.g. Finance do not have access to employee home address, Tax File Number.

Payroll and HR staff have visibility of all employee details.

01/19 As discussed in CO1 and 2

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

45



Appendix A: Detailed Payroll Health Check

Control Objective 5: To ensure that all payroll transactions are accurately reflected in the accounting system.

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	All payroll transaction are correctly reflected in the accounting system in the proper accounting period.		~			May 2019	A GL interface file is created after each pay run which is sent to the Finance Manager for upload to TechOne. The accounts to which payroll transactions are posted have been set up within iChris for each type of salary payment (e.g. Normal, Overtime), allowance and deduction. When this file is uploaded to TechOne validation errors are generated that are reviewed and corrected prior to posting. However, discussions with the Finance Manager have indicated that there are inherent errors arising due to work orders input during time sheet entry by payroll that override the native accounts set up on iChris. Such validation errors are currently not being corrected until the root cause is addressed and the error batches being posted to a suspense account.
							Recommendation: A reconciliation is performed between the PRD (Pay run Detail report) with the LPS (Ledger Posting Report) by Payroll. However, there is a
							lack of reconciliation between these reports

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

46



Appendix A: Detailed Payroll Health Check

and the interface file at the individual account level to ensure that all pay transactions have accurately updated the correct account in the GL. This reconciliation process is being developed by the Manager Finance where by the GL accounts that have been updated will be reconciled with the PRD.

Some compensatory controls identified are:

- Subject to issues relating to costing of salary payments discussed above, there is the correction of validation errors identified during the upload process.
- Manual accuracy checks are performed by the Manager Finance on the interface file, such as veracity of the account structure, debits equal credits and clarifying any visible adjustments with Payroll Coordinator.

Response:

A global reconciliation has been developed and implemented that provides confidence that the ICHRIS transactions are reflected in the Technology One Financial system. This is based on the pay component code between the systems. Further development of the reconciliation process is ongoing and this will include the design and implementation of reconciliation at a costing level. A process is

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

47



Appendix A: Detailed Payroll Health Check

being implemented in February 2019 where key finance staff and payroll coordinator will meet weekly to discuss payroll costing issues and then action to resolve. NB the control process will also be subject to the Techonlogy One Post Implementation Review Roadmap implementation and also future ICHRIS Post Implementation review which may result in a simpler costing structure via the ICHRIS payroll system, which may include introduction of validation of costing within the ICHRIS system, which in the current complicated costing structure is not achievable.

2	Payroll runs reconciled to the accounting system regularly and in a timely manner.	~	May 2019	As in 1 above
3	Process in place for anomalies to be identified, investigated and resolved in a timely manner.	✓	May 2019	As in 1 above
4	Restricted access to on-line banking system has been set up.	*		CommBiz is used to process electronic fund transfers of salaries and deductions into relevant bank accounts. CommBiz access security, separation of duties and authorization controls have been established to ensure that at a minimum there are 2

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

48



Appendix A: Detailed Payroll Health Check

approvers before a transaction can be processed.

A CommBiz upload file is generated from iChris by Payroll and provided to Finance in a secure directory.

The EFT File (part of a Pay Run suite of reports) and the CommBiz upload file is independently compared for accuracy by the Coordinator Financial Services (Ward Kirshaw) prior to upload to CommBiz. Two independent approvers are required to process any transaction in CommBiz.

Prior to processing any payments, the Coordinator Financial Services assess the EFT and CommBiz upload file for any payments in excess of \$2,000 with the PRD/PLD reports to ensure that pays are valid. (E.g. as a result of bonus payments, overtime or back pay). Clarification is obtained from the Payroll Coordinator for any anomalous transaction.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

49



Appendix A: Detailed Payroll Health Check

Control Objective 6: To ensure that regular and accurate management and statutory information is produced.

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	Management provided with accurate and regular payroll cost data to allow for informed decision making and workforce planning.		√				Conversations are being held with BU Managers to assess information needs.
2	Process in place to prevent the generation of inaccurate, incomplete or duplicated bank credit data (e.g. automated fund transfer systems)	~					Refer CO5 above

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

50



APPENDIX B: Listing of Bayside Stakeholders interviewed

Stakeholders
Katrina Forsberg, Manager POC
Sandra Kapsalis, Payroll Coordinator
Matthew Walker, Manager Financial Services
Ward Kirshaw, Coordinator Financial Services

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

51



APPENDIX C: Bayside Council's Risk Assessment Matrix

Risk Ratings	Consequence						
Likelihood	1. Very Low	2. Minor	3. Moderate	4. Major	5. Extreme		
5. Almost Certain	High	Very High	Extreme	Extreme	Extreme		
4. Likely	Medium	High	Very High	Very High	Extreme		
3. Possible	Low	Medium	High	Very High	Extreme		
2. Unlikely	Low	Medium	Medium	High	Very High		
1. Rare	Low	Low	Low	Medium	High		

Likelihood ratings.

Rating	Likelihood	Description	Quantification
1	Rare	The event may occur but only in exceptional circumstances. No past event history.	Once every 50 years or more. Less than 10% chance of occurring.
2	Unlikely	The event could occur in some circumstances. No past event history.	Once every 20 years. Between 10% and 30% chance of occurring.
3	Possible	The event may occur sometime. Some past warning signs or previous event history.	Once every 5 years. Between 30% and 70% chance of occurring.
4	Likely	The event will probably occur. Some recurring past event history	Once a year. Between 70% and 90% chance of occurring
5	Almost Certain	The event is expected to occur in normal circumstances. There has been frequent past history.	Several times a year. Greater than 90% chance of occurring.

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

52



Table of Consequences

Consequence Rating	Impact on Council's Objectives	Financial Impact	Operational Impact	Reputational Impact	Compliance Impact	HR Impact	Environmental Impact
Extreme	Most objectives can no longer be achieved Complete revision of long term business model required	More than \$3m pa recurrent impact on operating budget More than \$10m one-off budgetary impact	Key activities and essential services disrupted for over 14 days Death or serious injury / illness to members of the community Sustained and significant dissatisfaction with Council service delivery	Council or senior management, sustain significant adverse national media coverage Reputational damage that will be likely to take many years to repair.	Council removed from office by Minister and Administrator appointed Investigation by ICAC or other agency with compulsory powers to examine witnesses in public hearings into substantial allegations of fraud and / or serious misconduct by Councillors or Officers	Sustained major negative impact on staff morale Serious injury requiring long term medical treatment Loss of life Major sustained breach of WHS Legislation, prosecution, Staff retention less than 80%	Environmental incident causing damage directly leading to extinction of a species of flora or fauna; Toxic chemical spill with enduring contamination and serious human health consequences requiring closure or isolation of land
Major	A number of significant business objectives can no longer be achieved	Between \$1m and \$3m recurrent impact on operating budget, one off impact between \$5m and \$10m.	Key services disrupted for between 2 and 14 days significant reductions in customer satisfaction injury or property damage resulting in litigated claims against Council	Investigation by external body resulting in substantive negative findings significant adverse media at state and local level significant & well publicised outcry from residents, long story life.	Council required to show cause why it should not be suspended from Office by Minister. Council issued with Performance Improvement Order(s) by Minister concerning substantial matters of Councillor and/or Officer conduct. Council found to be criminally liable Council found to be liable for penalties and/or damages >\$5m	Major one-off breach of work place legislation Major localised negative impact on morale Lost time injuries requiring major medical treatment, Staff retention rate between 80% and 85%	Environmental incident causing significant damage to threatened species or habitat and / or seriously endangered ecological community

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

53



Consequence	Impact on	Financial	Operational	Reputational	Compliance	HR	Environmental
Rating	Council's Objectives	Impact	Impact	Impact	Impact	Impact	Impact
Moderate	Some important business objectives can no longer be achieved	Between \$200k and \$1m recurrent impact on operating budget one off impact between \$1m and \$5m	Key services disrupted for between 1 and 2 days short term or isolated reductions in customer satisfaction minor injury or property damage claims.	Medium term local media coverage concerns from sections of the community governance breaches or failures notified to external bodies but dealt with internally.	Council Convicted for breach of legislation in Court or Tribunal	Minor breach of workplace legislation short duration lost time injury requiring minor medical treatment staff retention rate between 85% and 90% negative impact on morale.	Pesticide spill into waterway causing harm to native species Inappropriate pesticide use at playgrounds Exposing acid sulphate soils in recreation area
Minor	Some reprioritisation of resources to enable business objectives to be achieved	Between \$50k and \$200k recurrent impact on operating budget one off impact between \$0.2m and \$1m	Key services disrupted for <1 day one-off reductions in customer satisfaction minor injury or property damage not resulting in a claim on Council	Short term local media coverage heightened concerns from narrow group of residents governance breaches or failures dealt with internally without the need for external referral	Council issued minor fine or penalty for breach of legislation in court or tribunal and / or ordered to pay compensation or damages pursuant to breach	Short term impact on staff morale minor injuries or illness from normal activities treated by first aid.	Pollution of waterways with sediment runoff due to incorrect construction site management Minor breach of environmental licence resulting in court attendance notice
Low	Little or no impact on business objectives	<\$50k recurrent impact on operating budget, one-off impact <\$0.2m.	Usual scheduled interruptions unscheduled interruptions for <4 hours.	One off insignificant adverse local media or public complaints.	Council issued with fixed Penalty Infringement Notice for breach of legislation	Localised raising of concerns by staff Isolated incidents and/or 'near miss' occurrences.	Tree removal in environmentally sensitive area leading to protest and local environmental concern lsolated infringement of environmental licence leading to fixed penalty

Bayside Council - Payroll Health Check Follow Up Review - January 2019

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.

54

Bayside Council ("Bayside")

Employees' Mandatory Licences Processes - Health Check Follow Up

January 2019

FINAL





DISTRIBUTION

Party	Title
Meredith Wallace	General Manager
Michael Mamo	Director, City Performance
Kristina Forsberg	Manager, People & Organisational Culture
Fausto Sut	Manager, Governance & Risk
Sean Pascoe	Partner, BDO
Steve Kent	Associate Director, BDO/Acting CAE Bayside Council

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

Item 5.7 – Attachment 4

2



TABLE OF CONTENTS

1.	EXECUTIVE SUMMARY	5
1.1	Background	5
1.2	Objective and scope	5
1.3	Approach	5
1.4	Status of controls	6
1.5	Summary of key findings	8
1.6	Overall risk rating	8
1.7	Acknowledgement	8
1.8	Report clearance	8
2.	DETAILED FINDINGS	9
2.1.	WHS Policy and some WHS procedures are in the process of being finalised.	9
2.2.	Processes to manage training, licensing and ticketing requires improvement	11
APPE	NDIX A: Detailed Employees' Mandatory Licences Health Check 2018/19	14
APPE	NDIX B: Listing of Bayside Stakeholders interviewed	31
APPE	NDIX C: Bayside Risk Assessment Matrix	31

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.



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 personnel. We have not attempted to verify these sources independently unless otherwise noted within the report.

Limitation of Use

This report has been prepared in accordance with the approved Statement of Work dated 29 November 2018 and is intended solely for the information and internal use of Bayside 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 or for any reliance that may be placed on this report by any party other than Bayside.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

4



Executive Summary

1. EXECUTIVE SUMMARY

1.1 Background

In 2017-18, a health check was performed in relation to the Management of Employees' Mandatory Licences process. Control objectives and the status of associated control activities had been identified.

The control objectives and control activities are documented in the health check checklist which is used to assess the maturity of the controls and monitor status and progress of the control implementation.

This internal audit is a follow up of the above health check and is being undertaken as part of Bayside Council's (Bayside) approved Internal Audit Plan for the year ending 30 June 2019.

1.2 Objective and scope

The purpose of this internal audit was to follow up on the Employees' Mandatory Licences process health check performed during 2017-18. We reviewed the progress and quality of control implementation and have provided an update on the status of implementation of controls.

The scope of the internal audit is limited to the Employees' Mandatory Licences process.

1.3 Approach

The following approach was undertaken during the internal audit:

- · We held a kick off meeting with key stakeholders;
- We obtained the health check reports and checklists for Employees' Mandatory Licences process and reviewed the progress to date as recorded in the reports and checklist;
- · We assessed and evaluated actions that have been completed;

- We assessed and evaluated those actions that were not implemented or were in-progress and obtained information on actions to be undertaken and completion dates;
- We interviewed Bayside personnel responsible for implementation of actions (refer Appendix B);
- We examined relevant documentation and/or sighted physically completed implementations to determine actions completed or inprogress;
- We conducted an exit meeting with the relevant Council's staff following completion of the fieldwork to discuss:
 - Our findings;
 - Recommendations for control improvements in relation to those findings;
 - o Management's response to our findings and recommendations; and
- We prepared draft and final reports of findings and cleared with Management;

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

5



Executive Summary

1.4 Status of controls

Based upon the detailed Employees' Mandatory Licences Health Check Follow - up outlined in Appendix A, we have prepared a summary of the status of implementation of controls and residual risk and this is set out below:

Control Objective No.	Control Objective Description	Total # of Controls	Implemented	In Progress	Not Started	Not Applicable	Residual Risk
1	Policies and Procedures - To ensure that the organisation has WHS policies and procedures which are regularly reviewed and kept up to date.	6	3	3	-	-	Low
2	Employment (Ben and James) To ensure that employees have the correct tickets, licenses, qualifications and training required to fulfil their role and the requirements are in line with relevant WHS and other regulations and requirements	5	5	-	-	-	Low
3	On-boarding: To ensure that only valid employees have been set up in the organization's HR system and all necessary information, including information on licenses, tickets, qualifications and training, have been accurately recorded against the employee profile	8	4	-	-	-	Medium
4	Review: To ensure that employees tickets, licenses, training and qualifications obtained	5	2	3	-	-	Medium

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

0



Executive Summary

	are accurate, complete and properly managed and maintained in the chosen system						
5	Training: To ensure that employees' tickets, licenses, qualifications and training are kept up to date and refresher training is provides in a timely manner.	11	5	6		-	Medium
6	Analysis and Reporting: To ensure that regular and accurate analysis is conducted and appropriate management and statutory information is provided.	3		3	-	-	Low
	OVERALL	38	19	19	-	-	Medium

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

7



Executive Summary

1.5 Summary of key findings

Since the health check carried out in 2017/18, some improvements have been made in relation to the implementation and quality of controls in order to manage operational and compliance risks. As highlighted in Section 1.4 above, a significant number of controls have been implemented. However, there are some controls that are in the process of being implemented or not started (1). As recognised by Management, there continues to be room for further improvement. We have briefly summarised below, the multiple improvements and controls that are still being implemented as shown in Section 1.4 above:

- Section 2.1 WHS Policy and some WHS procedures are in the process of being finalised (Risk: Low).
- Section 2.2 Some processes to manage statutory training, licensing and ticketing require improvement to ensure that staff are not operating equipment or undertaking functions for which they do not have the appropriate licence or ticket (Risk: Medium).
- Appendix A CO6 Processes are being developed for regular reporting and accurate analysis of management and statutory information in relation to Licencing, Ticketing, Qualification and Training (LTQT) (Risk: Low).

Details of the above improvements have been included in Section 2 of this report. The detailed Employees' Mandatory Licences Health Check has been included in Appendix A.

1.6 Overall Risk Rating

Medium. This rating is primarily the result of the matters discussed in Section 1.5 above and the number of items outstanding.

Risk ratings have been based on Bayside Council's Risk Management Strategy. The Risk Matrix, Likelihood and Consequence tables have been included in Appendix C.

1.7 Acknowledgement

We would like to take this opportunity to thank the management and staff of Bayside for their co-operation and assistance during the course of the review.

1.8 Report clearance

The content of this report has been discussed and agreed with the Manager POC and other key stakeholders.

Yours sincerely

Partner, BDO Risk Advisory

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

8



Appendix A: Detailed Employees' Mandatory Licences Health Check

2. DETAILED FINDINGS

2.1. WHS Policy and some WHS procedures are in the process of being finalised (Ref: CO1).

Risk Rating Low

Observations

The WHS Policy is currently in draft form and this will be reviewed and approved by the Executive Committee in February 2019 and by the WHS Committee in March 2019. It will subsequently be communicated to all staff and published on the intranet.

Some Standard Operating Procedures (SOP) are in the process of being developed. Other procedures that have been implemented include:

- Manual handling training has been completed for staff in higher risk roles and will be rolled out to others progressively.
- First aid;
- Investigations;
- Immunization policies;
- · Dress Code and Sun Protection policy
- · Preventing Workplace Bullying and Harassment and discrimination policy
- Alcohol and Drugs policy

All Safe Work Method Statements (SWMS) have been completed after an in-depth consultation period with staff members. These have been communicated and are available on the intranet

All policies and procedures are in line with the guidelines provided by Safework NSW.

Risks/Implications

Lack of full and proper policies and procedures could lead to non-compliance with WHS legislation and could be detrimental to employee health and safety.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

c



Appendix A: Detailed Employees' Mandatory Licences Health Check

Recommendation

R1. All policies and procedures should be finalised.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R1. Identified policies and procedures will be completed by December 2019	Senior, Work Health and Safety Partner	December 2019

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.



Appendix A: Detailed Employees' Mandatory Licences Health Check

2.2. Processes to manage training, licensing and ticketing requires improvement (Ref: CO1-6)

Risk Rating Medium

Observations

A training, licence and ticket register has been developed in excel. The process is currently manual and all employees have been set up on the register. Licence and Ticket information has been populated along with expiry dates. This register is available to HR, as well as BU Managers and Coordinators and is expected to be updated when training is undertaken and when licences and tickets are renewed. The BU Manager/Coordinator is responsible for updating the register for new starters. Attendance at training is updated to this register to indicate completion. The WHS Team Member reviews this register on a regular basis to assess incomplete training or expired licenses, tickets. The BU Manager/Coordinator also reviews the register on a regular basis and leavers are marked off in a blue font and are noted on the spreadsheet that they are no longer employed.

Training, refresher training, licensing and ticket needs are identified through the management of the register by WHS and in consultation with the TLs and Coordinators. Any gaps are identified through these consultations and where training, licences or ticket are missing, these are followed up.

However, there are some matters that require management's attention as follows:

- Access to the register is wide and there are no controls to manage unauthorised or inaccurate data being updated. Access is provided to BU TL,
 Coordinators, POC HR and WHS. The register is in TRIM that has an audit trail on users who accessed and updated the document, but not on the changes made to it.
- The register does not easily identify the required training, licence and ticket needs of an individual in a role. The required licences/tickets are documented in the PD. Reliance is placed on the BU Coordinator/Team Leader to ensure Licences, Tickets required have been updated for an individual on the spreadsheet.
- As evidenced, there are delays in updating training, licence and ticket information on to the register due to resourcing constraints Training
 attendance sheets are provided to the WHS Team Member for update to the register. We noted that there were some gaps in the register where
 training has been completed that had not been updated. Additionally, we noted gaps in expiry dates e.g. Traffic Control has many expired dates.
 The above has arisen primarily due to lack of resourcing.
- There were instances of expired licences that have not been renewed evident on the register.
- Currently, the register is not a complete record of training needs of employees, in particular roles and whether training has been completed e.g. first aid or asbestos training will be maintained in a separate folder.
- New starter information is updated by the Business Unit and unless it forms part of a new starter checklist, updates to the LTQT register may not occur.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

11



Appendix A: Detailed Employees' Mandatory Licences Health Check

. The register is expected to be updated by the BU Coordinator/TL. POC is advised of role or position changes but there is no process to advise WHS.

Risks/Implications

There is a risk that staff may be operating equipment or undertaking functions for which they do not have the appropriate licence or ticket resulting in health and safety issues (injury or death).

Recommendations

R2. Access to the register should be restricted and updates to it managed to ensure that information remains accurate and valid. The register should be maintained such that it is the 'source of truth' for all statutory, WHS related Licencing, Ticketing and Training.

R3. Update of new starter information into the LTQT register should be improved as follows:

- A process needs to be developed to ensure that this register owned by HR, is updated with new starters on a timely basis. In the interim, until LTQT requirements are implemented in LMS/iChris, some recommended improvements may include:
 - o Update of this register should form part of the New Starter Checklist.
 - When HR establish an employee in iChris, there should be a review by HR to ensure that the employee file/TRIM and the register have been updated.
 - Cells in the register should be highlighted for the required Licences/Tickets and training. Any gaps in licence details, expiry dates and training could then easily be identified.

R4. Based on the WHS Team Member's review, leavers are marked off in a blue font and are noted on the spreadsheet that they are no longer employed. However, this process could be made more robust by including it in a "leaver's checklist" to ensure the register is updated for all staff exiting the Council.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.



Appendix A: Detailed Employees' Mandatory Licences Health Check

R5. There should be a process whereby WHS are advised of any role or position changes to ensure that the register is updated for required LTQT requirements and that it has been completed.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R2, R3 The Learning Management System that is being implemented as well as iChris will be used in conjunction to manage the license, tickets and statutory training requirements. Likely implementation is September 2019. LMS will be implemented in POC initially (to maintain training and licenses) and then rolling it out to the rest of the organisation (October 2019)	Senior, Work Health and Safety Partner	October 2019
R4 Amend the leavers check list to include actioning the WHS training spreadsheet. The checklist will include sign off from WHS employees		15 February 2019
R5 WHS function be included into the starters, transfers and leavers email, which will allow them to update the WHS training spreadsheet in a timely manner.		31 January 2019

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.



Appendix A: Detailed Employees' Mandatory Licences Health Check

APPENDIX A: Detailed Employees' Mandatory Licences Health Check 2018/19

Control Objective 1: Policies and Procedures

To ensure that the organisation has WHS policies and procedures which are regularly reviewed and kept up to date.

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	Availability of WHS policies and procedures.		✓			WHS Policy 03/19	The WHS Policy is currently in draft that will be reviewed and approved by the Exec Committee in February 2019 and by the WHS Committee in March 2019. It will subsequently be communicated to all staff and published on the intranet.
							Some Standard Operating Procedures (SOP) are in progress. Other procedures that have been implemented include:
						SOPs 09/19	 Manual handling - training has been completed for staff in higher risk roles and will be rolled out to others progressively.
							First aid;
							 Investigations;
							 Immunization policies;
							 Dress Code and Sun Protection policy
							 Preventing Workplace Bullying and Harassment and discrimination policy
							 Alcohol and Drugs policy
							All Safe Work Method Statements (SWMS) have been completed after an in-depth consultation period with staff

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

14



Appendix A: Detailed Employees' Mandatory Licences Health Check

members. These have been communicated and are available on the intranet.

All policies and procedures are in line with the guidelines provided by Safework NSW.

There is an excel training register until it is implemented in iChris and LMS (Learning Management System). Work on the electronic learning system is currently in progress.

Any training undertaken by staff is signed off by individuals on an attendance sheet that is updated by the WHS team on to the training register.

Due diligence training done by State Cover and this was done for exec and staff level to drive the WHS Culture

2	Policy and procedures implemented.	✓		SOPs As in 1 above 09/19
3	Policy and procedures communicated.	√	Pol	WHS The completed policies and procedures have been communicated to staff and uploaded to the intranet in accordance with the scheduled upload plan by IT
			-	SOPs 09/19
4	Process in place to keep policy and procedures up to date.	✓		A register is maintained by Governance and Risk that monitors the review dates for all Council policies and

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

15



Appendix A: Detailed Employees' Mandatory Licences Health Check

5 WHS Team has qualified staff that are appropriately trained.

procedures. Reminder emails are sent to policy owners to advise of any impending reviews.

Senior Safety and Wellness Partner manages 2 Work Health and Safety Partners, 1 Work Health and Safety and Workers Compensation Administrator, 1 Return to Work/Wellness Officer.

Senior Safety and Wellness Partner education and experience:

- Diploma Work Health and Safety 11 January 2017.
- White Card
- Workplace Health and Safety Consultation Certificate (Courtenell)
- HSR Committee Member Training (Courtenell)
- Quality Assurance Management System ISO9001:2000 (SAI Global)
- ISO 9001 Internal Auditor Training (SAI Global)
- Demystifying ISO 9001 (SAI Global)
- Advanced Return to Work Certificate (Courtenell)
- · Risk & Safety Administrator, Waverley Council
- · People & Culture Coordinator, Express Data Pty Ltd
- National Return to Work Coordinator, Express Data Pty Ltd

Work Health and Safety Partner (Jason Dillaway), experience and qualifications:

- Cert IV in Work Health and Safety (in progress due for completion by end of 2019)
- Diploma in Leadership and Management (2017)
- White Card
- Work Zone Traffic Controller (RIISS00044 and RIISS00041) (2017)

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

16



Appendix A: Detailed Employees' Mandatory Licences Health Check

White card

- Work Zone Traffic Controller (RIISS00044 and RIISS00041) (2017)
- Prepare Work Zone Traffic Controller (2018)
- Senior First Aid (16/11/2017)
- Remove non friable asbestos (2015)
- Chain Saw

6 Process in place to review the structure of the HR and WHS teams as and when required. Current structure has been reviewed and approved by WHS Committee and the Executive Committee. The structure will be reviewed if there are any issues with managing obligations and responsibilities.

Management reporting on WHS is currently being developed. There will be reporting on key metric and KPIs to the Executive and WHS Committees for example:

- Inspections scheduled and completed
- Unannounced inspection
- Corrective actions identified and completed within required timeframes
- Training completed
- No of WHS committee meetings
- Investigations initiated and completed
 Workers compensation claims per quarter

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

17



Appendix A: Detailed Employees' Mandatory Licences Health Check

18

Control Objective 2: Employment

To ensure that employees have the correct tickets, licenses, qualifications and training required to fulfil their role and the requirements are in line with relevant WHS and other regulations and requirements

No	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	All staff have a position description (PD).	√					Yes. Post the Council restructure in August 2017, all employees have refreshed positions and Position Descriptions.
2	PD identify license, tickets,	✓					Yes. PDs identify licence, tickets, qualifications and
	qualification and training (LTQT) requirements.						Training (LTQT) requirements.
3	Levels specified.	✓					Grades/Levels for each position have been developed and approved by Executive Committee and Council. While the PD does not identify the grade, there is an excel document that identifies these grades by position.
4	PDs reviewed and approved by Managers and staff.	√					Business Unit managers were responsible for writing the relevant PDs in their area and after a 28-day consultation period were presented to Executives and the Staff Committee (Union Reps). These PDs were approved by the Executive Committee. There is an exec report that will show this approval
							Pay grades in the spreadsheet mentioned in 3 above were also approved by the Executive. Had a 2-day exec meeting went through the grade of every position? Documentation of approval.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.



Appendix A: Detailed Employees' Mandatory Licences Health Check

			PDs will change as required by the role and will go through the review and approval process.
5	Process owner for LTQT management identified.	✓	POC partners and BU Managers will be responsible at recruitment.
			Management of training needs and the training license and ticket register will be the responsibility of the WHS Team in POC and the Business Unit Manager/Coordinator.
			Refer CO3 for details on the management of LTQT.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

19



Appendix A: Detailed Employees' Mandatory Licences Health Check

Control Objective 3: On-boarding

To ensure that only valid employees have been set up in the organization's HR system and all necessary information, including information on licences, tickets, qualifications and training, have been accurately recorded against the employee profile.

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	Positions have been identified.	✓					Yes, all positions have been identified and approved - Staff have been appointed to those positions.
2	Staff appointed to available positions.	✓					As above
3	Process in place to ensure that vacant positions advertised.	√					Ongoing review by management. Manager, Director and GM will assess whether a role needs to be filled. HR will act in Advisory role. There is a Transition Recruitment Policy that drives this process.
4	System to be used to manage LTQT identified.		√			10/19	A training, licence and ticket register has been developed in excel. The process is currently manual and all employees have been set up on the register. Licence and Ticket information has been populated along with expiry dates. This register is available to HR, as well as BU Managers and Coordinators and is expected to be updated when training is undertaken and when licences and tickets are renewed. The BU Manager/Coordinator is responsible for updating the register for new starters.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

20



Appendix A: Detailed Employees' Mandatory Licences Health Check

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
							Attendance at training is updated to this register to indicate completion. The WHS Team Member reviews this register on a regular basis to assess incomplete training or expired licenses, tickets.
							Recommendations:
							 Access to the register is wide and there are no controls to manage unauthorised or inaccurate data updates. Access is provided to BU TL, Coordinators, POC - HR and WHS. The register is in TRIM that has an audit trail on users who accessed and updated the document, but not on the changes made to it.
							 The register does not easily identify the required training, license and ticket needs of an individual in a role. The required licenses/tickets are documented in the PD. Reliance is placed on the BU Coordinator/Team Leader to ensure Licenses, Tickets required have been updated for an individual on the spreadsheet.
							 There are delays in updating this information due to resourcing constraints as evidenced in the register.
							 There were instances of expired licenses that have not been renewed evident on the register.
							 Currently, the register is not a complete record of training needs of employees, in particular, roles and whether training has been completed e.g. first aid or asbestos training will be maintained in a separate folder which

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

21



Appendix A: Detailed Employees' Mandatory Licences Health Check

No.	Control description	Complete In Progres	Not s yet started	N/A	Due Date	Controls/processes
						needs to be maintained. The Learning Management System that is being implemented as well as iChris will be used in conjunction to manage the licences, tickets and statutory training requirements. Likely implementation is September 2019. LMS will be implemented in POC initially (to maintain training and licenses) and then rolling it out to the rest of the organisation (October 2019)
5	Staff profiles set up in current system (Training, License and Ticket Register).	✓			10/19	Refer 4 above. Profile of individual training, licence and ticketing requirements are not visible in the register.
6	Prompts set in nominated system to notify process control owner prior to LTQT expiring.	✓			10/19	Refer 4 above. The spreadsheet has to be manually reviewed to identify any expired licenses or tickets or training. LMS, when implemented is expected to provide these prompts.
7	Staff information, including LTQT, collected and uploaded into the system.	~			10/19	This is significantly a manual process. WHS Team Member (Jason) reviews the register and in discussions with BU Managers/Coordinators/Team Leaders, assesses whether required training, licences have been uploaded into the excel register. PDs are also reviewed to identify licences that are required to ensure that the spreadsheet is complete. Any gaps in training or licences are communicated to the Business Unit.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.



Appendix A: Detailed Employees' Mandatory Licences Health Check

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
							However as noted in 4 above, required LTQT for a role is not identifiable in the register and there are delays in keeping this register current.
8	Gap analysis on LTQT undertaken.	✓					As above. The review of the register with the PDs is performed by the WHS Team Member to reduce the risk that a person is operating equipment without the required licence/ticket.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.



Appendix A: Detailed Employees' Mandatory Licences Health Check

Control Objective 4: Review

To ensure that employees tickets, licences, training and qualifications obtained are accurate, complete and properly managed and maintained in the chosen system

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	Process in place to promptly add new staff information, including LTQT, into the system.		✓			01/19	A training, licence and ticket register has been developed in excel. The process is currently manual and all employees have been set up on the register. Licence and Ticket information has been populated along with expiry dates. This register is available to HR as well as BU Managers and Coordinators and is expected to be updated when training is undertaken and when licenses and tickets are renewed. The BU Manager/Coordinator is responsible for updating the register for new starters. The BU Manager Coordinator is responsible for scanning and recording existing licences and tickets in TRIM. Attendance at training is updated to this register to indicate completion. The WHS Team Member reviews this register on a regular basis to assess incomplete training or expired licenses, tickets.
							Recommendations:
							As noted above, new starter information is updated by the Business Unit and unless it forms part of a new starter checklist, update may not occur. A process needs to be developed to ensure that this register that is owned by HR, is updated with new starters on a timely basis. In the interim until LTQT requirements are implemented in LMS/iChris some recommended improvements may include:
							Updating of this register should form part of the New Starter

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

24



Appendix A: Detailed Employees' Mandatory Licences Health Check

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
							Checklist.
							When HR establish an employee in iChris there should be a review by HR to ensure that the employee file/TRIM and the register has been updated.
							Cells in the register should be highlighted for the required licenses/Tickets and training. Any gaps in license details, expiry dates and training could then easily be identified.
2	Process in place to amend the status of staff who are exiting on the system.		√			01/19	Yes. Based on the WHS Team Member's review, leavers are marked off in a blue font and are noted on the spreadsheet that they are no longer employed. Recommendation:
							This process could be made more robust by including it in a "leaver's checklist" to ensure the register is updated for all staff exiting the Council.
3	Process in place to ensure POC and WHS is notified before staff move into new positions.		✓			01/19	The register is expected to be updated by the BU Coordinator/TL. POC is advised of role or position changes but there is no process to advise WHS.
							Recommendation:
							There should be a process whereby WHS are advised of any role or position changes to ensure that the register is updated for required LTQT requirements and that it has been completed.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

25



Appendix A: Detailed Employees' Mandatory Licences Health Check

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
4	Process in place to undertake gap analysis of LTQT requirements for staff who have moved into a different position.	✓				01/19	See notes above. This is managed by TL/Coordinator who need to ensure that the required Licences/Tickets are in place. The review of the register with the PDs is performed by the WHS Team Member to reduce the risk that staff are operating equipment without the required license/ticket.
5	Process in place to ensure WHS staff are kept up to date with changes to WHS legislation and	✓					Staff are updated via WH&S Committee meeting quarterly. Executive Team and Leadership Team are updated as required (those meetings occur weekly and Monthly).
	regulations.						Articles are distributed via Staff News Letter, on the Intranet via toolbox talks and team meetings.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.



Appendix A: Detailed Employees' Mandatory Licences Health Check

Control Objective 5: Training

To ensure that employees' tickets, licenses, qualifications and training are kept up to date and refresher training is provides in a timely manner.

No	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	Training needs for the organisation identified.		✓			01/19	There is an excel training register until it is implemented in iChris and LMS (Learning Management System). Work on the electronic learning system is currently in progress.
				Any training undertaken by staff is signed off by individuals on an attendance sheet that is updated by the WHS team on to the training register.			
							Albeit some improvements that have been identified above, training, refresher training, licensing and ticket needs are identified through the management of the register by WHS and in consultation with the TLs and Coordinators. Any gaps are identified through these consultations and where training, licenses or ticket are missing, these would be followed up.
2	Panel of training providers established.	✓					Procurement process followed. SS ROC suppliers' preferred list is used. There is also an established panel of training providers.
3	Training providers reviewed for quality of service and value for money.	✓					Providers are monitored and would be requested to add on additional curriculum if needed.
4	Process in place to ensure procurement of training	✓					As above.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

27



Appendix A: Detailed Employees' Mandatory Licences Health Check

No	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
	providers comply with Procurement Policy						
5	Process in place to identify staff who require refresher training.		✓			01/19	Albeit some improvements that have been identified above, training and refresher training needs are identified through the management of the register by WHS and consultation with the TLs and Coordinators. Any gaps are identified through these consultations and where training, licenses or ticket are missing, these would be followed up.
6	Process in place to inform relevant supervisors when LTQT is expiring and refresher training dates.		✓			01/19	Albeit some improvements that have been identified above, training and refresher training needs are identified through the management of the register by WHS and consultation with the TLs and Coordinators. Any gaps are identified through these consultations and where training, licenses or ticket are missing, these would be followed up.
7	Process in place to book staff into refresher training.	✓					This process is performed by the WHS Team Member in conjunction with the TL/Coordinator.
8	Process in place for process control owner to receive a copy of training documentation, as evidence of attendance.		√			01/19	Training attendance sheets are provided to the WHS Team Member for update to the register. We noted that there were some gaps in the register where training has been completed that had not been updated. (Resourcing issue).

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

28



Appendix A: Detailed Employees' Mandatory Licences Health Check

No	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
9	Process in place to update system with new expiry dates.		√			01/19	Training attendance sheets are provided to the WHS Team Member for update to the register. We noted that there were some gaps in the register where training has been completed that had not been updated. Additionally, we noted gaps in expiry dates e.g. Traffic Control has many expired dates. The above has arisen primarily due to lack of resourcing.
10	System set up to ensure that expiry dates for LTQT cannot be bypassed.		✓			01/19	Albeit some improvements that have been identified above, training, refresher training, licensing and ticket needs are identified through the management of the register by WHS and consultation with the TLs and Coordinators. Any gaps are identified through these consultations and where training, licenses or ticket are missing, these would be followed up.
11	Escalation process in place to deal with staff who have not provided training documentation.	√					Training attendance sheets are provided to the WHS Team Member for update to the register. We noted that there were some gaps in the register where training has been completed that had not been updated. (Resourcing issue). These are followed up by the WHS Team Member.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.



Appendix A: Detailed Employees' Mandatory Licences Health Check

Control Objective 6: Analysis and Reporting

To ensure that regular and accurate analysis is conducted and appropriate management and statutory information is provided.

No.	Control description	Complete	In Progress	Not yet started	N/A	Due Date	Controls/processes
1	Trend analysis conducted and reported on training spending.	,	√			03/19	There is a budget and analysis and reporting on training spend. However, reporting of training stats will commence in March 2019.
2	Statutory training requirements reported to relevant Committees on a regular basis.		√			03/19	Training - statistics will be reported to Exec and WHS Committee.
3	Staff licence management process regularly reviewed and any significant changes communicated to relevant parties and Committees.		✓			09/19	Currently being reviewed as part of LMS implementation.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

30



APPENDIX B: Listing of Bayside Stakeholders interviewed

Stakeholders

Katrina Forsberg, Manager POC

Deborah Lee, Senior Safety and Wellness Partner POC

Ben Thomson, Workplace Relations Safety and Wellness Coordinator

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

31



APPENDIX C: Bayside Council's Risk Assessment Matrix

Risk Ratings		Consequence									
Likelihood	1. Very Low	2. Minor	3. Moderate	4. Major	5. Extreme						
5. Almost Certain	High	Very High	Extreme	Extreme	Extreme						
4. Likely	Medium	High	Very High	Very High	Extreme						
3. Possible	Low	Medium	High	Very High	Extreme						
2. Unlikely	Unlikely Low		Medium	High	Very High						
1. Rare	Low	Low	Low	Medium	High						

Likelihood ratings.

Rating	Likelihood	Description	Quantification
1	Rare	The event may occur but only in exceptional circumstances. No past event	Once every 50 years or more. Less than 10% chance of occurring.
2	Unlikely	history. The event could occur in some circumstances. No past event history.	Once every 20 years. Between 10% and 30% chance of occurring.
3	Possible	The event may occur sometime. Some past warning signs or previous event history.	Once every 5 years. Between 30% and 70% chance of occurring.
4	Likely	The event will probably occur. Some recurring past event history	Once a year. Between 70% and 90% chance of occurring
5	Almost Certain	The event is expected to occur in normal circumstances. There has been frequent past history.	Several times a year. Greater than 90% chance of occurring.

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.



Table of Consequences

Consequence Rating	Impact on Council's Objectives	Financial Impact	Operational Impact	Reputational Impact	Compliance Impact	HR Impact	Environmental Impact
Extreme	Most objectives can no longer be achieved Complete revision of long term business model required	More than \$3m pa recurrent impact on operating budget More than \$10m one-off budgetary impact	Key activities and essential services disrupted for over 14 days Death or serious injury / illness to members of the community Sustained and significant dissatisfaction with Council service delivery	Council or senior management, sustain significant adverse national media coverage Reputational damage that will be likely to take many years to repair.	Council removed from office by Minister and Administrator appointed Investigation by ICAC or other agency with compulsory powers to examine witnesses in public hearings into substantial allegations of fraud and / or serious misconduct by Councillors or Officers	Sustained major negative impact on staff morale Serious injury requiring long term medical treatment Loss of life Major sustained breach of WHS Legislation, prosecution, Staff retention less than 80%	Environmental incident causing damage directly leading to extinction of a species of flora or fauna; Toxic chemical spill with enduring contamination and serious human health consequences requiring closure or isolation of land
Major	A number of significant business objectives can no longer be achieved	Between \$1m and \$3m recurrent impact on operating budget, one off impact between \$5m and \$10m.	Key services disrupted for between 2 and 14 days significant reductions in customer satisfaction injury or property damage resulting in litigated claims against Council	Investigation by external body resulting in substantive negative findings significant adverse media at state and local level significant & well publicised outcry from residents, long story life.	Council required to show cause why it should not be suspended from Office by Minister. Council issued with Performance Improvement Order(s) by Minister concerning substantial matters of Councillor and/or Officer conduct. Council found to be criminally liable Council found to be liable for penalties and/or damages >\$5m	Major one-off breach of work place legislation Major localised negative impact on morale Lost time injuries requiring major medical treatment, Staff retention rate between 80% and 85%	Environmental incident causing significant damage to threatened species or habitat and / or seriously endangered ecological community

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

33



Consequence Rating	Impact on Council's Objectives	Financial Impact	Operational Impact	Reputational Impact	Compliance Impact	HR Impact	Environmental Impact
Moderate	Some important business objectives can no longer be achieved	Between \$200k and \$1m recurrent impact on operating budget one off impact between \$1m and \$5m	Key services disrupted for between 1 and 2 days short term or isolated reductions in customer satisfaction minor injury or property damage claims.	Medium term local media coverage concerns from sections of the community governance breaches or failures notified to external bodies but dealt with internally.	Council Convicted for breach of legislation in Court or Tribunal	Minor breach of workplace legislation short duration lost time injury requiring minor medical treatment staff retention rate between 85% and 90% negative impact on morale.	Pesticide spill into waterway causing harm to native species Inappropriate pesticide use at playgrounds Exposing acid sulphate soils in recreation area
Minor	Some reprioritisation of resources to enable business objectives to be achieved	Between \$50k and \$200k recurrent impact on operating budget one off impact between \$0.2m and \$1m	Key services disrupted for <1 day one-off reductions in customer satisfaction minor injury or property damage not resulting in a claim on Council	Short term local media coverage heightened concerns from narrow group of residents governance breaches or failures dealt with internally without the need for external referral	Council issued minor fine or penalty for breach of legislation in court or tribunal and / or ordered to pay compensation or damages pursuant to breach	Short term impact on staff morale minor injuries or illness from normal activities treated by first aid.	Pollution of waterways with sediment runoff due to incorrect construction site management Minor breach of environmental licence resulting in court attendance notice
Low	Little or no impact on business objectives	<\$50k recurrent impact on operating budget, one-off impact <\$0.2m.	Usual scheduled interruptions unscheduled interruptions for <4 hours.	One off insignificant adverse local media or public complaints.	Council issued with fixed Penalty Infringement Notice for breach of legislation	Localised raising of concerns by staff Isolated incidents and/or 'near miss' occurrences.	Tree removal in environmentally sensitive area leading to protest and local environmental concern Isolated infringement of environmental licence leading to fixed penalty

Bayside Council - Employees' Mandatory Licences processes - Health Check Follow Up January 2019

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.

34



Item No 5.8

Subject Risk Registers - Review and Update

Report by Fausto Sut, Manager Governance & Risk

File F13/418

Summary

This report provides an overview on Council's strategic risks and provides an update on the implementation of an Operational Risk Register. Council's strategic and draft operational risks have now been imported into the new Enterprise Risk Management (ERM) module of PULSE. Work is progressing with Business Unit Managers to review and update the draft operational risks entered into PULSE ERM module.

Officer Recommendation

- 1 That the Strategic Risk Register be received and noted.
- 2 That the work in progress for the implementation of the Operational Risk Register be received and noted.

Background

New Risk Management System

Council has installed and implemented a new Enterprise Risk Management (ERM) module in Council's Corporate Reporting system (ie PULSE) that allows Council's strategic and operational risks to be captured, managed and reported in a systematic way. Council's management has direct access to the system, which will provide greater visibility and more efficient risk management process. The current Strategic Risk Register was successfully migrated to the ERM PULSE and updated to reflect the current status.

The work undertaken to compile a draft operational risk register has been used to upload those draft risks into the system for review by Managers. As part of the process, refresher training was provided on Council's Risk Management Policy and on the use of the system. Managers were also able to "drop in" to risk sessions for one on one assistance with the review and updating of their business unit risks. Follow-up meetings have/are being held to further assist. A quality control process will occur which will allow all Managers to finalise their review.

It is expected that by 31 March 2019 both risk registers will be fully operational within the ERM PULSE system.

Item 5.8 209

Strategic Risks

Council regularly reviews its strategic risks in accordance with its Enterprise Risk Management Strategy. Currently there are 34 risks identified and noted on the strategic risk register.

Changes in the Strategic Risk Register are summarised in Table 1.

Table 1 – Strategic Risk Movements

ITEM	November 2018	February 2018
Total Number	34	36
Closed during period	2	0
Added during period	3	2
Status change during period	3	0
Residual Rating change during period	0	0

Separate risks around contamination have been reintroduced into the Strategic Risk register as there are different status and ownership (i.e. Cooks Cove is under Property whereas Kendall Street Reserve and other Council sites are under Strategic Planning).

The overall risk rating for the 36 strategic risks is depicted in Table 2.

A copy of the strategic risks is attached to this report.

Table 2 - Risk Rating Summary

Risk Area	No Risks	Extreme	Very High	High	Medium	Low
Strategic	36	0	1	5	12	18

Operational Risks

An overview of the operational risks currently within the register is shown in the table below:

Code	Risk Name	Total Risks	2018 - 2019 Reviewed	2018 - 2019 Not Reviewed
C1	Compliance	30	29	1
F1	Financial	11	9	2
O1	Operational	119	85	34
P1	Political	5	0	5
	TOTAL	165	123	42

The table below reflects the current draft ratings of each category of operational risks. However the register is in draft and a quality control will be undertaken once all Managers have reviewed and updated their risks within the system.

Item 5.8 210

Risk Area	Number	Extreme	Very High	High	Medium	Low
Compliance	30	0	0	5	15	10
Financial	11	0	0	6	2	3
Operational	119	3	8	30	57	21
Political	5	0	2	1	1	1
Total	165	3	10	42	75	35

A copy of the draft operational risks is attached to this report.

Attachments

- Strategic Risk Report (as at 5 Feb 2019) V1.2 $\underline{\mathbb{J}}$ Draft Operational Risks as at 19 Feb 2019 $\underline{\mathbb{J}}$
- 2

Item 5.8 211



Strategic Risks as at 5 February 2019

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
Council may lack the ability to manage emergent risks associated with large crowds of people in public spaces within the LGA	Extreme	Deployment of temporary barricades / heavy vehicles Deployment of additional security personnel Collaboration with Police and other Government agencies Collaboration with proprietors of properties adjoining public spaces concerning additional security measures during events Monitor changing security requirements and reconsider risk appetite position if necessary	Very High	Mitigation strategies implemented. New Year's Eve Fireworks Event Management Plan successful.	General Manager Communications & Events
Council failure to properly address the potential landfill gas migration on Council owned/controlled land at Cooks Cove.	Extreme	Landfill Gas Management Plan for site. Undertake additional testing on adjoining properties	High	Site divided into two management areas ie gas migration area adjacent to residential and remaining residual landfill. Developed landfill gas management plan for residual area. Drafted sampling and test plan for gas mitigation area and under review by EPA and Council's EPA accredited auditor. Testing to be undertaken by end of February/March and results to be provided to EPA. EPA will then prepare a final report outlining the next steps.	Director - City Futures Property

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
Council failure to properly assess other potential contamination sites owned/controlled by Council.	Extreme	Assessment of sites and remedial action plans developed	High	Council undertaking a desktop study.	Director - City Futures Strategic Planning
Council failures to properly address the potential contamination issues at Kendall Street Reserve Sans Souci	Extreme	Remediation and Management Strategy required for site. Undertake additional testing on adjoining properties	High	On site testing completed to determine extent and nature of contamination. Discussions with EPA underway to determine next steps.	Director - City Futures Strategic Planning
Failure of Infrastructure - a major unit of infrastructure may fail unexpectedly and / or catastrophically	High	Implement Strategic Asset Management 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 by LEMO Reliance on State and / or Federal Emergency Disaster Relief Funding lobbying for State and Commonwealth funding for	High	Strategic Asset Management Committee meeting regularly and report to the Executive Committee	General Manager Strategic Planning

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
		new and upgraded infrastructure			
The inability of the organisation to deliver, and embrace new integrated technology platforms and business applications	Very High	Ensure project is resourced with a dedicated highly skilled project lead and resources; Recruit and maintain dedicated risk management for strategic projects; Implement and maintain regular reporting to Executive (weekly) of strategic project status	High	IMT Strategic Plan being developed and oversight by IMT Steering Committee continues.	Director - City Performance Information Technology
Adverse or unplanned impacts of population growth within the LGA	High	Monitoring of census data and other population trends Maintain close links to relevant external agencies Maintain flexible workforce and structure	Medium	Current mitigation strategies underway including development of the Bayside LEP, review of Contributions Plan and Asset Management Strategy	Director - City Futures Strategic Planning
Construction of F6 in LGA	Very High	Maintain lobbying of Council requirement Increase public attention to issues Solicit support of local MPs	Medium	Council engaged a consultant to co- ordinate Council's response to the NSW Government's Environmental Impact Study (EIS) for the F ^A Extension Stage 1. Council in December 2018 lodged a submission in response to the EIS. Monitoring and review continues.	Director - City Futures Strategic Planning

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
Customer Service Performance may fail to meet community expectations	Very High	Leadership performance agreements Review Compliance Council Communication Strategy Develop Customer Service Strategy Team meetings Develop training initiatives Monitoring enhancements	Medium	New Manager Customer Experience appointed with commencement on 4 February 2019 and will lead the completion of Customer Experience Project.	Director - City Life Customer Experience
Eyes are on us Political, OLG, Community, ICAC, Other Councils, Communications – take the lead	Medium	Strong Communications Strategy Implement ICAC recommendations	Medium	Strong progress has been made in addressing both the ICAC and Audit Office recommendations. 45 actions were developed in response to the Operation Ricco findings. Of those 34 are now complete and it is expected that the remainder will be finalised by June 2019. ICAC have accepted and published Council's end of 2018 progress report. Council has received Management Letters from the Audit Office for Botany 2015-16 and Bayside 2016 -17. Substantial progress has been made with outstanding matters halved in the latter year.	General Manager Executive Services

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
Failure to deliver one or more major Transition Projects within Time / Cost / Scope / Quality expectations	Very High	Regular reporting regime to Executive, Council & OLG Regular Resource reassessment Regular risk assessments	Medium	Monitoring and regular reporting to the Executive Committee continues on the Transition Projects and Budget.	General Manager Executive Services
Failure to identify and respond to critical emerging social issues - for example "affordable housing" within LGA	Very High	Create harmonised / new LEP / DCP for LGA Represent Council's position with strong lobbying and representation with State Planning Agencies Review of planning controls as harmonisation of LEP/DCP Review capacity to deliver regional plan Improve community engagement initiatives	Medium	Council submission made in December 2018 on Proposed Amendment to State Environmental Planning Policy No. 70—Affordable Housing (Revised Schemes). Affordable Housing Strategy in development.	Director - City Futures Strategic Planning
Failure to manage Assets sustainably for the future requirements of the community	Very High	Undertake Audit of Community buildings and structures; Implement SAM on Technology One System Realistic budget assessment and bids Very large budgetary allocations for asset renewals	Medium	Strategic Asset Management Committee established and meets regularly.	Director - City Life Strategic Planning

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
		will be required in addition to treatment mechanisms above			
Inability to effectively manage and control urban development and growth in the LGA	High	Create harmonised / new LEP / DCP for LGA Represent Council's position with strong lobbying and representation with State Planning Agencies Consult on Community Strategic Plan with State Planning Agencies Alignment of District Plans with Council Plans	Medium	Project Plan in place for development of Bayside LEP & DCP. Additional State Government Funding received. Public Exhibition of draft Local Strategic Planning Statement planned on track for 1 July 2019.	Director - City Futures Strategic Planning
IT security threats may not be adequately managed	High	IT Policy framework, and ITIL Framework adoption; appropriate funding, resourcing and capacity to deliver staff training with regular 3rd party reviews; DR testing; Partnering with industry leading security vendors and conducting regular reviews and audits Changes to infrastructure occur through Change	Medium	NSW Audit Office issued draft report on IT Audit. Under review and action plan being developed to address recommendations. Progressing transfer of infrastructure and applications to off site facility.	Director - City Performance Information Technology

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
		Advisory Board with vendor support;			Business Unit
		Strong Corporate Governance through IMT Steering Committee, regular project status and budget reporting;			
		Complete and clear assignment of accountability in IMT staff structure;			
Lack of understanding and/or preparation for climate change impacts, including clean energy initiatives and ineffective Management of the impact of climate change.	High	Create permanent working group to monitor and report on projected costs of climate change and savings measures required to address and minimise such costs	Medium	Environmental Strategy being developed to include climate change issues.	Director - City Life Strategic Planning
Potential harm to the environmental (eg water, air quality, drainage)	Very High	Environmental checklist on projects Reviewing SOE effects	Medium	Stage 1 of the Bayside Water Management Strategy completed and Stage 2 underway.	Director - City Futures City Futures - Director
West Connex development results in significant increase in traffic volumes within Bayside	High	Represent Council's interests with State government and other stakeholders	Medium	Council monitoring opportunities for consultation. Latest submission in October 2018 on Urban Design and Landscaping Plan.	Director - City Futures Strategic Planning
Airport does not pay or pays significantly less than assessable rate equivalent payments to Council	Very High	Deed of Agreement entered into to manage levy and payments	Low	RECOMMEND to Transfer to Operational Risk. Deed of Agreement entered into in December 2018 and effective 1 January 2019. Notices of Payment and payments	Director - City Performance Finance

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				made in accordance with that Agreement.	Business Unit
Corporate knowledge and systems may not be adequate to meet targeted service levels	High	Implement business process and controls; undertake service reviews to determine effective operations;	Low	Business Processes & Controls for key functions completed. Progress report to ICAC on implementation of recommendations submitted in December 2018 and was well received. IMT Strategic Plan in development.	Director - City Performance City Performance
Council may be bound in the short-term to unprofitable non-core airport business unit	High	Develop, document and implement Airport business unit risk management and governance policies and procedures Develop Airport business unit exit Strategy Improve budgetary and reserve provisions	Low	RISK CLOSED - Airport Business Unit closed and contract terminated effective 30/9/18.	Director - City Presentation Procurement
Council may fail to fully and effectively implement the recommendations of the ICAC and the NSW Audit Office arising from Project Ricco and the audit of the former City of Botany Bay generally and with particular reference to fraud and corruption prevention and detection controls	Very High	Project Control Group (PCG) established Clear Project Plan to address issues Implement communications strategy Effective liaison with OLG and ICAC Regular reports to Executive, Audit Committee and Council.	Low	Progress report to ICAC in December 2018 well received. Monitoring continues of implementation by Executive and Risk & Audit Committee.	Director - City Performance City Performance

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
Council may have significant difficulty harmonising disparate workplace salary and entitlement systems of former RCC and CBB	High	Implementation of "Project Harmony" Close attention from Executive to this matter, business case approved for harmonising project; "Project Harmony" will harmonise terms and conditions of employment, salary system and policies across two former Councils; Council Agreement to be negotiated with Unions; Executive endorsement for specialist resources to support project and process; Engagement has commenced with Unions; Demonstration to the process with new Airport Business Unit Council Agreement resolving outstanding pay and conditions issue for this Business Unit; Further advanced than other amalgamated Councils Maintain strong communication strategy with	Low	RECOMMEND RISK CLOSURE. All projects identified to harmonise the two organisation has been completed.	General Manager People & Organisational Culture

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
		Staff Consultation Committee, Unions,			
Council may lack the PR resources and expertise to withstand the reputational damage expected to arise from the ICAC findings on Operation Ricco	Very High	Project Control Group (PCG) established Clear Project Plan to address issue Implement communications strategy Effective liaison with OLG and ICAC Regular reports to Executive, Audit Committee and Council	Low	Strong progress has been made in addressing both the ICAC and Audit Office recommendations. 45 actions were developed in response to the Operation Ricco findings. Of those 34 are now complete and it is expected that the remainder will be finalised by June 2019. ICAC have accepted and published Council's end of 2018 progress report.	General Manager General Manager
Council merger may impede community collaboration and consultation due to parochial influences carried forward from former LGAs	Medium	 Ensure Council Staff engage effectively with the community Use variety of engagement modes Effective Induction Program IP&R Framework in place. Community Engagement Strategy under review 	Low	Implemented - Under Executive Review. Community Engagement activities continue. Six month progress report to 31 December 2018 on Delivery Program & Operational Plan prepared.	Director - City Life Community Capacity Building
Fail to achieve the designated goals in the Community Strategic Plan; and/or Delivery Program and/or Annual Operational Plan	High	IP&R Framework established; maintain routine half-yearly Integrated Planning and Reporting through PULSE system to Executive & Council; maintain monthly financial reporting &	Low	Integrated Planning & reporting framework in place. Six monthly progress report on Delivery Program & Operational Plan to 31 December 2018 completed with 93% of actions completed and/or on target	General Manager Governance & Risk

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
		budget variance analysis by business unit; maintain manager performance bonus system linking achievement of operational plan targets to performance pay			
Fail to provide services relevant to community needs, expectations and demographics	Medium	Effective IP&R framework enabling preparation of Community Strategic Plan through extensive Community Consultation and Research, Community Engagement Policy and Strategy to Improve engagement techniques; Community reporting	Low	Implemented and under Executive Review. Six monthly progress report on Delivery Program and Operational Plan to 31 December 2018 completed showing 93% of actions completed and/or on target.	Director - City Life City Life - Director
Failure of Community to effectively engage with Council as a legitimate service provider and successor the previous entities	Medium	Implemented and under Executive review. Community Engagement Policy and Processes, Monitor engagement strategies, use variety of engagement modes	Low	Six month progress report to 31 December 2018 on Delivery Program and Operational Plan completed showing 93% of actions completed and/or on target.	Director - City Life Community Capacity Building
Failure of the organisation to adopt the new organisational culture and values	High	Promote and embed new values for the organisation; Implement training and awareness programs on organisational values; Implement Reward and Recognition Program to	Low	Implemented and under Executive Review. Bayside Values were created by staff. Over 375 staff member participated in the process, which means that staff are much more likely to adhere to the values and the culture. Several workshops and training programs have been rolled out to anchor	General Manager People & Organisational Culture

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
		reinforce values and behaviours; Organisational Structure embedded; Maintain ongoing support for employees during "change" processes; Maintain consultative processes; Embed performance management system to support values.		the values, culture and expected behaviour.	
Failure to comply with legislation / obligation	Medium	Legislative controls and checks built into processes - Pathway; Legal advice; Professional Indemnity insurance, Business Process & Controls, Enterprise Risk Management system, Position Descriptions, Strategic Tasks List, Online legislative compliance database and notification system being implemented, Policy being implemented.	Low	Mitigation strategies in place. Online Legislative Compliance database to be implemented. Draft Legislative Compliance Policy developed.	Director - City Performance Governance & Risk
Financial resources may not be sufficient to fund Council's operations	High	Implement enhanced asset management/ budget management and reporting processes to improve strategic asset management performance. Undertake comprehensive service	Low	Budgetary & Financial Reporting processes in place. Development of long term financial plan and strategic asset management plan underway.	Director - City Performance Finance

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
		reviews to determine effective operations. Improved Financial management practices including monitoring and reporting.			
Inability and/or failure to manage financial obligations sustainably for current and future community requirements.	High	Implement SAM on Technology One System; Implement enhanced asset management/ budget management and reporting processes to improve strategic asset management performance; Implement strong governance and transparent reporting on development of CSP and Long Term Financial Plans	Low	Budgetary and Financial monitoring and reporting processes in place. Long Term Financial Plan and Asset Management Plan in development.	Director - City Performance Finance
Public Relations failures / community engagement * failure to adequately engage with community * failure to adequately deal with public relations issues with community	Medium	* Develop Variety of Community Engagement Models * Develop validation model	Low	Implemented and under Executive Review. Community engagement methods continue to be developed based on individual circumstances. Six month progress reporting to the community prepared and for publication in mid February 2019.	General Manager Executive Services
The organisation may not be able to attract and retain high quality personnel	High	Organisation values, conditions of employment and culture are all favourable and has demonstrated ability to recruit quality candidates; Finalised	Low	A talent acquisition review project is taken place. The objective is to implement a recruitment framework that allows Bayside to attract and select talent whilst ensuring they experience a	General Manager People & Organisational Culture

Risk Description	Inherent Risk	Mitigation Strategy Residual Risk		Comment	Risk Owner Position Business Unit
		Organisation restructure, Project Harmony and other changes will assist in attracting candidates to Organisation; Modernised Recruitment process including targeted recruitment through LinkedIn to assist in white collar and specialist recruitment; Undertake Benchmarking for salaries for Managers has been favourable; Current extensive projects has kept interest of key employees to remain engaged and satisfied in their employment with Council; Enter into industry awards and competitions		5 star recruitment process and induction process.	
Unplanned or change in direction caused by Political influence	High	Code of Conduct and training; Fraud and Corruption Prevention strategy and policy and training; improved engagement with Councillors; Maintain liaison with Minister and OLG; Councillor Induction & Development Program; General Manager Briefing sessions, IP&R framework	Low	Continuation of General Manager Briefing Sessions and Councillor Development Program. Integrated Planning & Reporting framework in place with six monthly report on progress to community on progress.	Director - City Performance Governance & Risk
Workplace risks associated with change fatigue	Medium	Integration of Bayside business systems	Low	Implemented and under Executive review as active monitoring of workplace environment continues.	General Manager

Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position Business Unit
		Communicate about environment of continuous change as the new norm			People & Organisational Culture
		Communicate to staff about changes about to occur and about changes occurring across the organisation to reinforce that change is the new norm			
		Ensure change communications and consultation with staff is carried out in a manner which eliminates pockets of isolation which can create significant 'outbreaks' of change fatigue and/or resistance			
		Ensure change management focuses upon positive transitional organisational, systems, cultural and personal goals for staff, customers and other stakeholders so that change is a process to be embraced instead of endured			



Draft Organisational Risks

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Compliance	Compliance & Regulatory	* Council may fail to continue to deliver quality childcare services to community * Council may fail to ensure the safety of children within its care * Council may fail to meet all legislative requirements	Very High	* Proper staff clearances obtained * Audit checks conducted regularly	High	Staff clearances are always included in the recruitment process and can be checked at this point. Need to consider best process for audit.	Maree Girdler
Compliance	Compliance & Regulatory	Building and Development inspection and enforcement processes ineffective	High	Conduct detailed regulatory inspections and enforcements risk assessment and periodically update	High		Phoebe Mikhiel
Compliance	Information Systems & Security	Fraud / Theft	Extreme	Physical locking and alarming of premises Security measures CCTV, Firewalls, Endpoint protection other measures	High		Robert Kolimackovski

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Compliance	Compliance & Regulatory	Non compliance with legislative requirements	Very High	Documented procedures, Position Descriptions reflect statutory responsibilities, recruitment processes to fit right person to position, Performance Management system in place, training and development of staff ongoing, records of procedural compliance. New legislative compliance database to be introduced by 30 June 2019	High	New electronic calendar with key compliance timeframes to be introduced by 30 June 2019. Current monitoring against OLG Strategic Tasks ongoing	Fausto Sut
Compliance	Compliance & Regulatory	Perceivable conflicts of interest concerning dealings with Council owned land	Very High	Prior to any major dealing we appoint a probity adviser and enter into a robust probity plan, that identifies protocols required to comply with OLG and ICAC guidelines	High		Samantha Urquhart

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				associated with direct dealing.			
Compliance	Compliance & Regulatory	A failure of management controls resulting in fraud or misconduct	High	* Implement ICAC and NSW Audit Office recommendations within business process and controls project for high risk business processes; * Improved governance and internal controls including internal audits and health checks * Maintain and publicise Internal Reporting Policy * Update Corruption Prevention (including) Policy & Strategy * Maintain Communication & Training strategies (including at induction training)	Medium	Key Processes and Controls work finalised at 31/12/18. Positive response by ICAC to Council Progress Report Internal Reporting Policy reviewed and updated. Additional disclosure officers appointed and to come on line in 3rd Quarter Internal Audit Plan progressing (including health checks) Induction training includes corruption prevention segment Update of Corruption Prevention Prevention Schedule for 3rd and 4th Quarters	Fausto Sut
Compliance	Reputational	Code of Conduct breach	High	Maintain a Code of Conduct, develop	Medium	New Code of Conduct to be submitted to Council for	Fausto Sut

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				and maintain supplementary procedures, training of new staff and provide refresher training, maintain internal reporting policy, and good records management practices.		adoption and communication/awareness strategy to be completed by 30 June 2019	
Compliance	Compliance & Regulatory	Companion animal inspection and enforcement activity ineffective.	High	Documented procedures, training of staff, outsourcing of seizure and impounding of animals to an external provider	Medium	Council is currently actioning 100% of reported dog attacks and documenting on the companion animal register within 72 hours. The enforcement activity and all risk controls are consistent and effective.	Michael Azzi
Compliance	Compliance & Regulatory	Decisions made without delegations of authority	Very High	Documented procedures, Staff emailed delegations on start or change, reconciliation of Finance System, training of staff, records of procedural compliance, Governance advice to organisation.	Medium	Maintain regular reconciliation of delegations within Finance system. Work with POC to improve process in creation of new positions to ensure delegations are captured.	Fausto Sut

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Compliance	ICT	Electronic access to premises in multiple systems	High	Documented procedures, training of staff, records of procedural compliance	Medium	Awaiting FY20 Budget to finalise before embarking on consolidation and auditing activities	Robert Kolimackovski
Compliance	Compliance & Regulatory	Environmental legislation, policy or procedural breach by Council	Medium	Documented procedures, training of staff, records of procedural compliance	Medium	Ongoing review of process to identify opportunities for business improvement	Clare Harley
Compliance	ICT	Failure of IT suppliers to meet contractual commitments;	High	Regular vendor management Contract reviews before engagement IMT review prior to vendor approval Procurement vetting of vendors	Medium		Robert Kolimackovski
Compliance	Compliance & Regulatory	Failure to adhere to Council's procurement policies and procedures	Extreme	Implement ICAC and NSW Audit Office recommendations within business process and controls project for high risk business processes; Improved governance and internal controls;	Medium	Since amalgamation there has been improvement in the documentation and framework that staff procure under. While there are still some documentation elements that need to be completed, focus must also be placed on continuing education and influencing to ensure engagement. It should also be acknowledged that there are	Frank Tambosis

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				internal audits and health checks; Improved monitoring and reporting.		varying degrees of capability with some Sections performing better than others.	
Compliance	Compliance & Regulatory	Implementation of a Fire Safety Program	Medium	Implementation of a Inspection program to ensure high risk buildings are inspected. Checklist and procedures in place to ensure where irregularities appear in statements that measures are immediately implemented.	Medium	With the implementation of a fire safety program, and appropriate checklist and procedures are place, this will minimise risk.	Phoebe Mikhiel
Compliance	Compliance & Regulatory	Non-compliant Investments	Very High	Documented procedures, training of staff, records of procedural compliance	Medium	Council has implemented significantly improved investment processes and procedures as a part of if Business Process and Controls project. It has a draft investment policy and will be seeking to engage an independent investment advisor before the end of the 2019 financial year.	Matthew Walker
Compliance	ICT	Professional negligence	Medium	Code of Conduct IMT Steering Committee oversight	Medium		Robert Kolimackovski

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				CAB - Change Advisory Board (ICT)			
Compliance	Compliance & Regulatory	Retail Food Premises inspection and enforcement activity inadequate.	High	Documented procedures, training of staff, monitoring of inspection progress at monthly team meetings	Medium	Council is required to conduct annual food safety inspections of all high and medium risks retail food premises under the Regulation Partnership between Council and NSW Food Authority.	Michael Azzi
Compliance	Human Resources	Secondary employment management ineffective	Medium	Documented procedures, training of staff, records of procedural compliance	Medium	Bayside Council has developed and implemented a Secondary Employment Policy.	Kristina Forsberg
Compliance	Compliance & Regulatory	Swimming Pool Inspection Program, Compliance and Enforcement	High	Swimming Pool Inspection program rolled out across the LGA. Checklists and procedure manual implemented.	Medium	Draft Swimming Pool Inspection Program has been prepared. Checklist and procedures manual have been prepared.	Phoebe Mikhiel
Compliance	Human Resources	Volunteer appointment and onboarding processes ineffective	Medium	Documented procedures, training of staff, records of procedural compliance	Medium	Volunteer Policy has been developed and approved. A more comprehensive framework needs to be developed related to recruitment, on boarding and induction.	Kristina Forsberg

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Compliance	Compliance & Regulatory	Environmental pollution and enforcement activity inadequate.	Medium	Documented procedures, training of staff, monitoring of customer requests completions at team meetings.	Low	Risk controls are effective. Progress of actioning of environmental pollution complaints are reported and discussed in team meetings.	Michael Azzi
Compliance	Compliance & Regulatory	Failure to follow correct legal and evidentiary procedures while issuing Notices or Orders or PINs.	High	Documented procedures, training of staff, regular discussion with staffs about legislation updates.	Low	Risk controls are currently effective. The procedures are regularly discussed and reviewed in team meetings. Notices and Orders are sighted by supervisors prior to being sent out.	Michael Azzi
Compliance	Compliance & Regulatory	Footway trading inspection and enforcement activity ineffective.	Medium	Documented procedures, training of staff, records of procedural compliance, daily and weekly inspections conducted.	Low	Draft Policy has been created. the Footway Trading Manual has been updated and checklist have been implemented to ensure inspection are done and business owners are followed up.	Phoebe Mikhiel
Compliance	Human Resources	Non compliance with and/or inconsistent application of terms and conditions of employment	Medium	Documented procedures, training of staff, records of procedural compliance	Low	Since proclamation Bayside Council has developed and implemented several human resources policies.	Kristina Forsberg

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Compliance	Information Systems & Security	Potential for unlicensed software in use by Council	Medium	Electronic Use Policy Privileges to install software removed for general users on Domain environment All Software purchases routed to IT for IMT Steering review before Finance / Procurement approval Asset tracking software to report on installed inventory	Low		Robert Kolimackovski
Compliance	Compliance & Regulatory	Regulated parking inspection and enforcement activity ineffective.	Medium	Documented procedures, training of staff, programmed school and shopping parking enforcement, programmed Council's time limited free car parking facilities, rotating parking patrols of residential parking permit	Low	Risk controls are effective. Parking enforcement activities are undertaken as per unit's plans and objectives.	Michael Azzi

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				schemes and time limited streets			
Compliance	Compliance & Regulatory	Regulated premises inspection (other than retail food premises) and enforcement activity ineffective.	- Medium	Documented procedures, training of staff, monitoring at monthly team meetings.	Low	Risk controls are effective. The inspection regime of regulated premises are discussed and monitored at monthly team meetings.	Michael Azzi
Compliance	Human Resources	Staff consultation processes under the Award inadequate	Medium	Documented procedures, training of staff, records of procedural compliance	Low	The Constitution has been developed and implemented. The SCC is meeting monthly.	Kristina Forsberg
Compliance	Compliance & Regulatory	Statutory financial requirements may not be adequately delivered	Very High	Documented procedures, training of staff, records of procedural compliance	Low	Council has documented core business processes and controls in 2018/19, system based controls over the postings of journals in core financial system have been implemented. Council has formed Project 2020 to address ongoing statutory financial reporting issues.	Matthew Walker
Compliance	Compliance & Regulatory	Waterfront locations, parks, reserves and Crown Land	Low	Documented procedures, training of staff, rangers patrol registers and	Low	Risk controls are currently effective.	Michael Azzi

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
		inspection and enforcement activity ineffective.		discussion at monthly team meetings.			

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Financial	Financial	Budgetary and long- term financial planning processes may be inadequate	High	Documented procedures, training of staff, records of procedural compliance	High	Council has implemented Enterprise Budget Module of its core financial system TechnologyOne. This enables the creation of budget, monitoring of actual to budget performance and long term financial plans to be developed. Managers have received financial management training and a business partner service delivery module has been implemented. This process is subject to continuous improvement and ongoing development in a agile deployment basis.	Matthew Walker
Financial	Financial	Financial transactions may be subject to error, theft or fraud	Very High	Documented procedures, training of staff, records of procedural compliance	High	Improvements are being progressively implemented. Controls over journals have been put in place via systems functionality since July 2019 and improvements have been made to external systems	Matthew Walker

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						integrations. Council has also commenced to transition to its determine core corporate application suite of software.	
Financial	Operational Activities	Processes for planning and levying of development contributions ineffective	Extreme	Documented procedures, training of staff, records of procedural compliance. Cross team communication is improving. Meetings held between relevant officers to identify key issues.	High		Luis Melim
Financial	Financial	Rental losses from unsecured bad and doubtful debts	Very High	We currently run a monthly debtor meeting to manage debt. This results in follow up calls from the property team, breach notices etc. which result in some bad debtors settling arrears.	High		Samantha Urquhart

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Financial	Community	Tenant defaults on financial lease obligations	High	Documented procedures, training of staff, records of procedural compliance	High		Samantha Urquhart
Financial	Community	Tenant/hirer causes or permits material property damage	High		High		Samantha Urquhart
Financial	Reputational	Budgetary planning for events ineffective	High	Documented procedures, training of staff, records of procedural compliance	Medium	Each event is planned and budgeted for within the allocation set by council. Keeping a progress budget during the planning stages ensures budget targets are kept and highlights possible overspends which can then be managed in a timely manner. Debriefing sessions after each event ensure lessons are learnt and problem areas adjusted. The events budget is currently on target.	Christine Stamper
Financial	Operational Activities	Burglary or hold-up at Customer Service location	High	Risk awareness and de-escalation training of customer	Medium		Angela Hume

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				service staff, specific risk assessment and mitigation plan			
Financial	Reputational	Councillor expenses and facilities transactions subject to error, misappropriation or fraud	High	Actions in accordance with policy and procedure are confirmed through induction, training, vetting, internal audit.	Low	New council induction occurred in October/November 2017. All expenses submitted are reviewed to ensure activities are undertaken for the business of Council and original receipts are scanned and submitted against all claims.	Liz Rog
Financial	Financial	Property valuations incorrect	Medium	Independent asset valuations	Low		Samantha Urquhart
Financial	Financial	Routine Financial reporting may be inadequate	Very High	Documented procedures, training of staff, records of procedural compliance	Low	Standardise monthly financial reporting templates have been implemented, monthly financial reports to the executive, financial management training provided to all managers. Enterprise Budget module has been implemented and Finance Business Partner service delivery model is implemented	Matthew Walker

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						and subject to continuous improvement.	

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
LGSS Capex Project	Project	Contractor appointed through an open tender process that doesn't have the capability and viability to undertake the project.	Very High	Outline specific requirements relating to quality and capability in the criteria outlined in the Request For Tender document. Undertake thorough tender assessment including a financial capability assessment by Corporate scorecard and extensive reference checks to ensure that the contractor has the capability, an extensive proven track record and the financial viability to undertake the project.	High		Karin Targa
LGSS Capex Project	Public Safety & Wellbeing	Injury and incidents associated with the construction of projects in public areas.	Very High	Contractor Project Management plan which includes work place heath and safety plan and environmental plan. Monthly audit of environmental, safety and quality management plan implementation by project manager.	High		Karin Targa

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
LGSS Capex Project	Project	Approvals effecting cost and delivery timing of project.	Very High	Undertake research as to approvals required early and factor into delivery program. Undertake due diligence into likely requirements and conditions that may be included. Establish relationships with the external parties to where possible have early liaison.	Medium		Karin Targa
LGSS Capex Project	Project	Delay to delivery milestones for the project delivery.	Very High	Undertake proper planning and establish realistic timelines taking into consideration the project requirements and approvals. Establish risks in the briefing document and manage these.	Medium		Karin Targa
LGSS Capex Project	Project	External stakeholders requirements not met.	Very High	Thorough consultation process that is documented with feedback and outcomes provided back to the stakeholders so that expectations are managed. Councilors	Medium		Karin Targa

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				briefed on project and consultation outcomes.			

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Operational	Operational Activities	Collaboration between Property and other Business Units ineffective	Very High	Coordination, communication and collaboration management initiatives. Regular PCG's and Property Portfolio monthly meetings. To ensure all relevant stakeholders are informed and working for the same outcomes.	Very High		Samantha Urquhart
Operational	Operational Activities	Fleet management functions ineffective	Extreme	Documented procedures, trained staff maintaining equipment, records of procedural compliance along with Fleet Check Lists being completed daily and any defects acted upon promptly. Manufacturers service requirements are undertaken.	Very High	The reason why the risk is Very High is because of third party intervention which cannot be eliminated	Steven Poulton
Operational	Operational Activities	Partnerships between Development Services	Very High	Communication and cooperation between business	Very High		Luis Melim

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
		and other Business Units ineffective		units and collaboration initiatives Service Agreement between business units.			
Operational	Project	Personality clashes	Medium		Very High		Robert Kolimackovski
Operational	Project	Poor staff selection procedures	Medium		Very High		Robert Kolimackovski
Operational	Strategic	Property holdings not appropriate to Council's strategic and operational requirements	Very High		Very High		Samantha Urquhart
Operational	Information Systems & Security	Security breach - physical and IT * Council may suffer a major security breach by way of physical intrusion into secured Council Premises or intrusion into it's secure IT environment and data storage facilities	High	* Develop and implement Crisis Management Plan & BCP * finalise migration of IT environment and DRP to State Government Data Centre * Review all ICT security policies * Review Gov. DC Security protocols	Very High		Robert Kolimackovski

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Operational	Project	Vested interests creating conflict and compromising the overall aims	Medium		Very High		Robert Kolimackovski
Operational	Operational Activities	Children under the age of 8 years old left in the library unattended without the care of a responsible adult. This exposes them to risk of harm of others. Paedophiles are know to frequent public libraries.	Very High	Staff controls and training in enforcing policy and procedure	High		Angela Hume
Operational	Information Systems & Security	Council may fail to keep information secure in accordance with legislative, privacy and fiduciary requirements	Very High	Documented procedures, training of staff, records of procedural compliance	High		Robert Kolimackovski
Operational	Project	Data is missing	Very High		High		Robert Kolimackovski
Operational	Operational Activities	Development Assessment Services ineffective	Very High	Documented procedures, training of staff, records of procedural compliance	High		Luis Melim

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Operational	Operational Activities	Failure of Business Continuity Plan and Crisis Management Plan for Bayside Council	Extreme	* Develop, implement and maintain Crisis Management Plan & BCP for all key sites * BCP to be regularly tested * Finalise migration of IT environment and DRP to State Government Data Centre * Extract Executive commitment as Corporate priority * Regular reports to Executive on progress + resource adjustments * Continue to align with Gov. DC Disaster Recovery protocols and develop local DRP around current communications solutions in place for new integrated systems platforms hosted on Gov. DC	High	Testing of BCP planned for February 2019. Development of further site specific BCPs prioritised and to be undertaken progressively in 2019.	Fausto Sut

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Operational	Project	Health & safety constraints	Extreme		High		Robert Kolimackovski
Operational	Project	Human error/incompetence	High		High		Robert Kolimackovski
Operational	Reputational	Inadequate or incorrect advice given to customer	High	Documented procedures, training of staff, records of procedural compliance	High		Angela Hume
Operational	Project	Legacy components lack documentation	Very High		High		Robert Kolimackovski
Operational	Information Systems & Security	Loss of central server hardware systems	High	Business Continuity Plans regularly reviewed and tested	High		Robert Kolimackovski
Operational	Project	Loss of intellectual property rights	High		High		Robert Kolimackovski
Operational	Operational Activities	Management of political influence ineffective	High	Documented procedures, training of staff, records of procedural compliance	High	Management of political influences on City Media and Events is Ineffective The communications and events programs are determined by the elected representatives and	Christine Stamper

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						actioned through the General Manager. The City Media and Events Team are employed under the General Manager and take direction from the General Manager. Contact with the political arm of council is at the direction of the General Manager. The risk can be reduced if all requests regarding events are made through the General Manager or Executive Services Unit.	
Operational	Operational Activities	Performance Reporting Inadequate	Extreme	Progressive rollout and testing of performance meaurement and management processes	High	HR analytics has been developed and the first quarterly report will be provided to Executive Committee May 2019. Employee	Kristina Forsberg

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						self service will be implemented in 2019 which will allow line managers to have access to HR analytics.	
Operational	Operational Activities	Performance Reporting Inadequate	Very High	Progressive rollout and testing of performance meaurement and management processes Weekly DA Dashboard is occurring.	High		Luis Melim
Operational	Operational Activities	Permanent or temporary loss of key resources	High		High	Identify best practice and get materials off-site where appropriate	Angela Hume
Operational	Operational Activities	Permanent or temporary loss of premises	High	Establish baseline for building maintenance programs in place	High	Insufficient property maintenance and/or controls	Angela Hume
Operational	Workplace Health & Safety	Personal Injury to Staff	Very High	PPE, SWMS, Authorised Traffic Control, operating instructions and Safe Operating Procedures along	High		Steven Poulton

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				with adequate training.			
Operational	Operational Activities	Please add your notes	High		High		Joe Logiacco
Operational	Operational Activities	Please add your notes	High		High		Joe Logiacco
Operational	Operational Activities	Please add your notes	High		High		Joe Logiacco
Operational	Operational Activities	Please add your notes	High		High		Joe Logiacco
Operational	Project	Poor leadership	High		High		Robert Kolimackovski
Operational	Operational Activities	Poor quality of Work	Very High	Trained Team Leaders and Supervisor along with specifically trained staff inspecting works. Works to comply to standards and specifications	High		Steven Poulton
Operational	Operational Activities	Recreation facilities for children inadequate	High		High		Jeremy Morgan
Operational	Project	Residual maintenance problems	High		High		Robert Kolimackovski

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Operational	Operational Activities	Revenue returns from property holdings inadequate	High		High		Samantha Urquhart
Operational	Operational Activities	Serious Injury or death of public or staff at Council event	Very High		High	This is always a risk when holding an event. A comprehensive Risk Management Assessment Plan is prepared for each event to ensure that everything is done to prevent "serious injury or death" to participants. Council is extremely risk conscious and the events team liaise and consult closely with all Emergency Services including the Police when holding a major event.	Christine Stamper
Operational	Project	Storms, flooding, tempests	High		High		Robert Kolimackovski
Operational	Operational Activities	Systems and processes for recording and tracking building, development and	High	Documented procedures for DAS entry, Training of staff,	High		Luis Melim

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
		planning applications ineffective		Records of procedural compliance, Updating of system DA Clearing House process review			
Operational	Project	Transport problems, including aircraft / vehicle / public transport collisions	High		High		Robert Kolimackovski
Operational	Operational Activities	Bayside external website not accurate or up to date	Very High	Content management procedures, checklists, systems	Medium	Following the amalgamation of Rockdale City Council and The City of Botany Bay to form Bayside Council, Bayside has been working towards harmonising council services, policies and projects to become one unified organisation. This has taken time but is progressing. During this process the Bayside Council external website has been, and continues	Christine Stamper

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						to be, in a constant state of development. Content is being updated daily. Every effort is made to ensure that all information is correct and accurate. Now that the two former council websites have been taken off line there is only one Bayside website which reduces the risk of misinformation being provide to web users.	
Operational	Operational Activities	Cleansing activities fail to comply with Environmental Health requirements	High	* Documented procedures, * Training of staff, * Records of procedural compliance, * Procurement of fleet, plant and equipment to mitigate risk,	Medium		Joe Logiacco

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				* Regular servicing / maintenance of fleet, plant and equipment.			
Operational	Operational Activities	Community engagement ineffective	Very High	Mitigation strategies include ensuring: * staff are appropriately skilled * staff understand the projects they are co-designing engagement strategies for * staff maintain and develop up to date contact lists * a variety of engagement strategies are used and matched to the project and group being engaged around	Medium		Maree Girdler
Operational	Compliance & Regulatory	Council records management practices not followed	Very High	Implement one EDRMS across Council Training and awareness activities on good records	Medium	New EDRMS system introduced harmonising former records systems. Council wide training on records management	Fausto Sut

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				management practices Review non EDRMS databases and migrate critical data Review disposal and archiving practices		practices and new Content Manager system undertaken. Further modules to improve records management practices being planned for implementation by 30 June 2019,	
Operational	Operational Activities	Councils Parks and playgrounds hardscape items such as playground equipment, chairs and tables and shelters, goal posts, Amenities Buildings, footpaths and BBQ's.	Very High	Playground Equipment Inspections every 3 months along with regular routine inspections by Operations Staff, Residents and Park user complaints being acted on.	Medium	Playground equipment and other hardscape items are used regularly by children and residents from the area or visitors and measures are in place to ensure the equipment is safe and free of any hazards to prevent any injury to the users.	Steven Poulton
Operational	Operational Activities	Customer or Staff medical emergency on Council premises	High	Documented procedures, training of staff, records of procedural compliance	Medium		Angela Hume

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Operational	Information Systems & Security	Data quality and integrity processes ineffective	Medium	Documented procedures, training of staff, records of procedural compliance	Medium		Robert Kolimackovski
Operational	Compliance & Regulatory	Developer contributions are inadequate or are not expended in a timely manner to meet local infrastructure demands	High	Obtain s7.11, s7.12 and reserve balances from Councils Finance team monthly reporting on transactions from and to reserves Preparation of a four year city Projects Program to more effectively schedule delivery of local infrastructure upgrades and new assets Prepare a comprehensive Bayside Development Contributions Plan to align collection of development contributions with population growth Align City Projects	Medium	Successful implementation of mitigation strategies requires co-ordinated approach across the organisation, improvement to information, processes and culture	Clare Harley

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				Program to Business Unit workplans to ensure resources allocated for implementation			
Operational	Operational Activities	Development Advisory Services ineffective	Very High	DAS Coordinator position filled. DA submission checklists updated. Website content and standard forms updated. Review of Pre DA advice process undertaken.	Medium		Luis Melim
Operational	Operational Activities	Environmental damage	Very High	Risk awareness training of operational staff and use of environmental controls; monitoring and action upon complaints;	Medium		Steven Poulton
Operational	Compliance & Regulatory	Errors in Land Information System data and / or processes	High	Undertaking manual generation of certificates for Bayside East and manual checking of those certificates	Medium	Implementation of mitigation strategies requires significant inputs (resources, co-ordination) from other Business Units	Clare Harley

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				Identify process improvement required Update databases (including data migration project) Update processes and systems including Pathways Undertake training of key staff Establish workflows for ongoing updates to Council information systems Implement VPAs in Pathways		including IT, Finance, Business Improvement, Customer Service	
Operational	Operational Activities	Failure of waste contractor service delivery	Very High		Medium		Joe Logiacco
Operational	Strategic	Failure to align political aspirations for services and service delivery with agreed plans and priorities.	High	Strong induction session with Councillors and working on councillor development program, quality reporting and information flow including General Manager briefings,	Medium	Current structures, processes and controls are working well. Emphasis on Councillor Development Program for remainder of term.	Fausto Sut

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				input into development of plans,			
Operational	Operational Activities	Failure to conduct essential services, such as waste collection.	Very High	* Contractual obligation to meet operational requirements with financial penalties for non-compliance. * Council can contract other operators to facilitate temporary operational issues by using financial bonds associated with the Collection Contract. * Internal operations to meet any short term or temporary obligation to deliver essential services. * Daily tool box meetings (inhouse). * Monthly Manager meetings. * Monthly Contractor Performance	Medium		Joe Logiacco

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				Management Meetings.			
Operational	Information Systems & Security	Help desk functions ineffective	Medium	Documented procedures, training of staff, records of procedural compliance	Medium		Robert Kolimackovski
Operational	Operational Activities	Illegal dumping counter-measures inadequate	Medium		Medium		Joe Logiacco
Operational	Public Safety & Wellbeing	Impact of golf balls on the public	Extreme	Signage installation, established trees planted along Foreshore Road, fencing along Botany and Foreshore road, proposed expert to review and recommend additional mitigation strategies	Medium	Research undertaken and a report is being prepared on further mitigation strategies including the engagement of expert advice.	Fausto Sut
Operational	Operational Activities	Ineffective risk management practices lead to increasing level of liability claims	Very High	Documented policies and procedures, regular reporting to Risk & Audit Committee, training and awareness	Medium	Mitigation strategies in place to increase risk management maturity of the organisation	Fausto Sut

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				strategies, internal audit program, processes and controls include risk management, regular risk register reviews			
Operational	Information Systems & Security	Information / Data security systems / processes ineffective	Medium	Documented procedures, training of staff, records of procedural compliance	Medium		Robert Kolimackovski
Operational	Project	Integration testing environments aren't available	Medium		Medium		Robert Kolimackovski
Operational	Information Systems & Security	IT Staff knowledge upkeep	High	Documented procedures through Knowledge Management system Prescribed sharing of Knowledge built into all IT work plans Training of staff in accordance to IT Strategy	Medium		Robert Kolimackovski
Operational	Compliance & Regulatory	Key Business Process and Internal Controls	Very High	Staff training and awareness,	Medium	A system of management	Fausto Sut

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
		developed may not be embedded or become part of the Bayside culture		Business owner oversight, KPIs and Executive and management reporting to be established, Internal audit plan takes into account key risks,		reporting will need to be developed to ensure the processes and controls are embedded. Current internal audit of cash handling and inventory management will also provide insight as to the take up of these new business processes and controls.	
Operational	Operational Activities	Library Information Resources subject to misuse	Medium	Documented procedures, training of staff, records of procedural compliance	Medium		Angela Hume
Operational	Operational Activities	Loss, injury or damage to property or persons resulting from cleansing activities	High	* Documented procedures, * Training of staff, * Records of procedural compliance, * Procurement of fleet, plant and equipment to mitigate risk, * Regular servicing	Medium		Joe Logiacco

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				/ maintenance of fleet, plant and equipment.			
Operational	Project	Low team motivation	Medium		Medium		Robert Kolimackovski
Operational	Operational Activities	Media Issues management ineffective	Extreme	Media management strategy	Medium	To reduce the risk of media mismanagement all media comments and messages must be approved by the Mayor and/or General Manager. The risk is contained by the Social Media Comment Policy which clearly sets out who can speak with the media on Council's behalf.	Christine Stamper
Operational	Operational Activities	Non compliance with CCTV legislation	High	Mitigation Strategies include: - legislative compliance - Documented procedures, - training of staff, - records of procedural compliance	Medium		Maree Girdler

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				- maintenance and replacement schedule			
Operational	Operational Activities	Non Compliance with information governance requirements (including privacy)	Very High	Documented policies and procedures, training and awareness of council officials, privacy management review being finalised and development of action plan.	Medium	Training and awareness on records management and use of Content Manager completed. Records Management Policy is being refreshed. Privacy Management Review has been undertaken and action plan to be developed.	Fausto Sut
Operational	Strategic	operational	High	Operations Staff works are to be programmed with knowledge of future Capital Programmes and works by public authorities	Medium	Currently no controls in place to advise Bayside Council of any works by public authorities	Steven Poulton
Operational	Operational Activities	Operational equipment failure resulting in disruption to service delivery	Extreme	Regular Inspections and Maintenance of equipment along	Medium	Controls in place and working well	Steven Poulton

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				with replacement programmes.			
Operational	Operational Activities	Partnerships and communication ineffective.	Very High	Coordination, communication and collaboration management initiatives. Monthly catch up meetings with relevant client teams. Handover processes agreed and enforced.	Medium	Mitigation strategies in place and reviewed.	Karin Targa
Operational	Operational Activities	Partnerships between City Works and other Business Units ineffective	High	Improve Coordination, communication and collaboration between Business Units initiatives	Medium		Steven Poulton
Operational	Operational Activities	Partnerships between Governance & Risk and other Business Units ineffective	High	Staff training and awareness, improved communication (including timing) of governance responsibilities, greater visibility of Governance & Risk business unit, establish KPIs as part of Work Plans and performance	Medium	Statutory and corporate reporting calendar being developed. Governance Framework being refreshed and to be communicated. Implementation of PULSE for IP&R and Risk Management underway. Induction	Fausto Sut

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				agreements, refresh Governance Framework		sessions includes governance session.	
Operational	Operational Activities	Partnerships between POC and other Business Units ineffective	High	Coordination, communication and collaboration management initiatives	Medium	Staff News Letter has been developed and implemented. The Intranet has an interactive News Board. Continuous communication is occurring with the business. The HR Partnering module provides a strong framework for coordination, communication and collaboration with the business. HR analytics will be provided on a quarterly basis to the Executive Team.	Kristina Forsberg
Operational	Operational Activities	Partnerships between Procurement and other Business Units ineffective	High	Coordination, communication and collaboration management initiatives, regular meetings and procurement staff	<u>Medium</u>	Progress has been made in Procurement engaging with other Sections and achieving better outcomes accordingly. But	Frank Tambosis

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				working off-site with their stakeholders		there are still some Sections in Council that need to be strategically engaged with a view to improving their procurement practices.	
Operational	Operational Activities	Performance Reporting Inadequate	Very High	Progressive rollout and testing of performance measures and reviews and management processes	Medium	Controls reviewed and reporting maintained	Steven Poulton
Operational	Operational Activities	Performance Reporting Inadequate	Medium	Progressive rollout and testing of performance meaurement and management processes	Medium		Jeremy Morgan
Operational	Operational Activities	Performance Reporting Inadequate	High	Progressive rollout (and testing) of performance measurement and management processes.	Medium	The procurement department is aware of the need for this type of analysis. To date only basic analysis is done.	Frank Tambosis
Operational	Reputational	Poor management of media issues	Very High	Media management strategy	Medium	Poor Management of Media Issues can be detrimental to	Christine Stamper

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						Council's reputation, therefore it is important that the handling of all media enquiries are managed in a responsible manner. The process for dealing with any media enquiry is clearly outlined in Council's Media & Public Comment Policy. This policy also clearly states who, who cannot, speak to the media on Council's behalf. If the process outlined in the policy are followed the risk should be low.	
Operational	Operational Activities	Procurement function fails to deliver best value outcomes	Very High	Documented procedures, training of staff, records of procedural compliance; good documentation and filing for ease of audit.	Medium	Procurement is supportive of audits, of which the results act as a driver of performance. A key KPI that needs to be developed is savings generated for Council by good	Frank Tambosis

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						procurement practice. This will show the tangible benefits of good procurement.	
Operational	Operational Activities	Procurement internal control functions ineffective	Very High	Good documentation and guidelines that staff actually use.	Medium	There are a number of documents that have been completed and in use, but there are a few gaps (as seen in the list of associated controls). These will be completed, as well as the associated engagement program with staff. This will improve the robustness of the organisation.	Frank Tambosis
Operational	Project	Project cost exceeds budget	Very High	Ensure that the appropriate budgets are included in the City Projects Program by the Strategic Assets Management Committee. Design within budget.Monitor	Medium	Mitigation strategies in place and reviewed	Karin Targa

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				budget through cost estimates prepared by Quantity Surveyor at critical milestones. Undertake due diligence including site investigation to avoid latent conditions.			
Operational	Compliance & Regulatory	Provision of statutory land use planning information provided in planning certificates inaccurate	High	Review of \$10.7 planning certificate template by Councils legal adviser Amendment of \$10.7 certificate template to ensure information provided in certificates reflects requirements of the Environmental Planning and Assessment Act 1979	Medium	Ongoing review of processes, systems and information required to address regular changes to legislation	Clare Harley
Operational	Operational Activities	Publc Building Assets not sustainable	Very High	Strategic Asset Management Plan	Medium		Samantha Urquhart
Operational	Operational Activities	Recycling activities inadequate	Very High	* Funding source from Operational budget and external	Medium		Joe Logiacco

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				funding * In-house educators and external education partner programs * Established Recycling Contracts (directly or indirectly with Material Recovery Facilities) to secure recyclable material processing. * Established Contracts in place for Collection * Container Deposit Scheme Arrangements (rebate scheme)			
Operational	Project	Resource performance issues	Medium		Medium		Robert Kolimackovski
Operational	Project	Resource turnover	Medium		Medium		Robert Kolimackovski
Operational	Operational Activities	Risk Assessment of Events Ineffective	Extreme	Events risk management training program	Medium	A Comprehensive Risk Management Plan is prepared for all Events. Plans are reviewed after each event to determine their effectiveness	Christine Stamper

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						or how they can be improved. Events staff keep up to date to with the latest Risk Management Assessment techniques to ensure that council can be confident that every precaution has been taken to ensure its events are held in a safe and secure community space.	
Operational	Reputational	Social Media management ineffective	Very High	Documented procedures, training of staff, records of procedural compliance	Medium	Poor Social Media Management can impact Council's reputation. This is an area that needs improvement and Council is taking steps to make its social media presence more effective.	Christine Stamper

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						Council is currently preparing a Communications and Social Media Strategy for Bayside. How Council uses social media will be reviewed this year with the establishment of the Business Improvement Unit.	
Operational	Operational Activities	Sporting venues may not meet community expectations and service levels	High	Investment in other unused open space areas may require investigation by City Assets or Stategic Assets department for feasability of use, inclusive of a greater need for synthetic fields which assist in all weather conditions. City Presentations only look after the maintenance of open spaces we do not undertake the	Medium	Parks and Open space industry benchmarks at active open space utilisation levels are set to 27 hours per week for grassed turf areas 40+ for synthetics. City Life and Strategic assets including City Infrastructure have all been advised of these issues which they need to address. This issue does not sit with City	Kyle Jamieson

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				role of strategic assets or asset conditioning nor have control over usage allocations.		Presentation.	
Operational	Human Resources	Staff onboarding processes ineffective	Medium	Documented procedures, training of staff, records of procedural compliance	Medium	Corporate induction day has been developed and implemented. Procedures for on boarding of new employees has been developed. All stakeholders are notified when a new starter commence with Council.	Kristina Forsberg
Operational	Human Resources	Staff recognition and reward processes ineffective	Medium	Documented procedures, training of staff, records of procedural compliance	Medium	A reward and Recognition Program has been developed and implemented. This includes "Star Awards" available throughout the year and one Staff Award ceremony per annum. As well as a Health and Well Being Expo per	Kristina Forsberg

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						annum. A performance review policy has been developed and implemented to ensure a transparent and consistent approach to salary increments and bonuses.	
Operational	Operational Activities	Third party personal injury or property damage	High	Continuous improvement on operational works scheduling. Reactive pruning and pollarding as required through CRMs. With partial Proactive works periodically undertaken. Collaboration and workshops with Risk and Claim Officers.	Medium	Council can action all CRMS within the guarantee of service as trees are not registered as a council asset.	Kyle Jamieson
Operational	Operational Activities	Third party personal injury or property damage	High	Dial Before You Dig Plans requested of the Public Authorities. Risk awareness and Consequence	Medium	Controls Reviewed prior to commencing work on the site.	Steven Poulton

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				training of operational staff.			
Operational	Operational Activities	Transport infrastructure inadequate for community requirements	Very High		Medium		Jeremy Morgan
Operational	Financial	Unjustifiably fail to recover losses from frauds to the extent predicted / expected	Extreme	* Communication Strategy * Reporting Regularly to Councillors * Messaging to Community and Councillors * Best legal advice possible obtained * Referral to appropriate external agency to pursue action i.e. NSW Crime Commission	Medium	Council regularly monitoring position with legal advisors and professionals. Council acting on prudent legal advice in balance public interest responsibilities and commercial realities.	Fausto Sut
Operational	Operational Activities	Works of other utilities impact service delivery	Very High	Liaison planning protocols	Medium	Executive Engineer as contact for major public utility projects. Public utility notifications of major works.	Jeremy Morgan
Operational	Operational Activities	Botany Aquatic Centre forced to shut down	High	Processes and procedures to ensure adequate	Low	Botany Aquatic Centre is undergoing regularly	Sue Matthew

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
		due to maintenance issues		maintenance of equipment Staff training to ensure that processes are followed Communication amongst staff to ensure reporting of any issues		maintenance and scheduled maintenance. Staff training is constantly being updated.	
Operational	Operational Activities	Cashless facility at Mutch Park Squash Courts	High	Implementing emergency cash process If phone lines are not working issue mobile phone to staff to be able to take bookings	Low	Sport and Recreation currently progressing emergency cash process and issue of mobile phone.	Sue Matthew
Operational	Operational Activities	Contract management functions ineffective	High	Documented procedures, training of staff, records of procedural compliance, procurement staff to go over the contracts before they are issued to contractors	Low	Standardise contract documents now exist such as General Terms & Conditions, Terms & Conditions for Engagement of Consultants, Evaluation spreadsheets and	Frank Tambosis

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						the like. Guidelines and manuals such as the Procurement Guidelines, and a Procurement Manual with commensurate education will improve things further.	
Operational	Operational Activities	Events do not meet community expectations	Medium		Low	There is always a possibility that an event especially one being held for the first time will not meet the community's expectation or attract the expected crowds. To reduce the possibility of this occurring careful consideration is given to the location and structure of the event to ensure it meets the target audience needs or achieves the desired outcomes for	Christine Stamper

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						Council. Debriefing sessions are held after each event to determine how future events can be improved or if necessary changed to maximising the outcomes desired.	
Operational	Operational Activities	Parks and public spaces may fail to meet service guarentees	Medium	Ensure all assets are profiled which in turn determines Parks & Open Spaces works maintenance schedules. Once completed, proactive works shedules will be monitored to ensure compliance to service guarantees.	Low	With mitigation strategies in place, the inherent risks associated are significantly lower.	Kyle Jamieson
Operational	Operational Activities	Partnerships between Certification and other Business Units ineffective	Medium	Policy procedures across units on the communication and distribution of information through	Low	Checklist and workflows have been created in CRM and pathway to ensure that business units are a	Phoebe Mikhiel

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				CRM and Content Manager.		aware the required information.	
Operational	Operational Activities	Partnerships between Communications & Events and other Business Units ineffective	Very High	Coordination, communication and collaboration management initiatives	Low	It is important that Communications and Events staff establish good working relationships across all business units within council in order to deliver the desired outcomes for the tasks they perform. The role of the Communications & Events team in promoting council requires them to work across the whole of council. Effective partnerships mean better outcomes.	Christine Stamper
Operational	Operational Activities	Partnerships between Parks & Open Space and other Business Units ineffective	Medium	Coordination, communication and collaboration management initiatives, are	Low	Communication and coordination is being well delivered via new performance measures as set out	Kyle Jamieson

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				organic throughout the organisation. All current communication (written and verbal) between service units is well documented and conveyed.		within the Operations Plan and Strategic Plan.	
Operational	Operational Activities	Performance Reporting Inadequate	Medium	Parks & Open Space is progressively roll out and testing new performance measures and management processes across the business inclusive of quality control measures. All Performance reporting relating to the city plan has been completed as per programmed objectives.	Low	With mitigation strategies in place, the inherent risks associated are significantly lower.	Kyle Jamieson
Operational	Operational Activities	Performance Reporting Inadequate	Medium	Migration of Authority data into Pathway and	Low	When property data all integrated into one system, it will	Phoebe Mikhiel

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				lodgement of applications into Pathway		provide for less inaccuracy in data.	
Operational	Operational Activities	Performance Reporting Inadequate	High	Progressive rollout and testing of performance meaurement and management processes	Low	Poor performance by staff impacts the service provided by Council. Regular staff meetings and yearly performance reviews reduces the risk of staff performance impacting services or tasks.	Christine Stamper
Operational	Reputational	Public relations processes ineffective	High	Documented procedures, training of staff, records of procedural compliance	Low	If council's public relations effort is ineffective it impacts how council is perceived and its reputation. All staff are expected to treat customers, residents, community and stakeholders with respect and provide assistance where possible. If they are	Christine Stamper

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						unable to assist they should direct the person to someone who can.	
						Every event and all council's communication both internally and externally is an exercise in Public Relations for Council. To reduce the risk of a negative impact steps are taken to ensure that all events and communication is of a high quality aiming to build on Council's reputation.	
Operational	Operational Activities	Sponsorships insufficient	Medium	Sponsorship drive	Low	For some events Council deems it appropriate to seek support and sponsorship from the local business community. Care needs to be taken when budgeting for such events that the	Christine Stamper

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						sponsorship is confirmed otherwise Council may need to make the difference, which if substantial, can greatly impact the events budget for that financial year.	
Operational	Operational Activities	Sporting Facilities, open space and community venues allocations are not completed	High	Daily staff meetings Processes and procedures Timelines Sport and Recreation Committee meetings	Low	Council currently investigating Council wide booking system which will be able to manage bookings of all facilities in a holistic manner.	Sue Matthew
Operational	Human Resources	Staff Disciplinary Processes ineffective	High	Documented procedures, training of staff, records of procedural compliance	Low	Performance and Conduct Policy has been developed and implemented. The HR Partnering model prevents inconsistencies across the Business and provides training and support to the line managers.	Kristina Forsberg

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Operational	Human Resources	Staff skillsets inadequate to meet operational and / or strategic requirements	Medium	Talent acquisition and retention program	Low	A learning and development strategy, policy and procedures has been developed and implemented. This includes, post learning submission when staff has attended conferences and external learning, yearly training needs analysis based on our values and staff focus competencies and work related development requirements, forms policies and procedures,	Kristina Forsberg
Operational	Financial	Staff theft either cash or via accounting software.	High	Rotating staff through cash handling roles Audit processes Cash handling process	Low		Angela Hume
Operational	Operational Activities	Town Centre and Neighborhood Centre	Medium	* Documented procedures, * Training of staff,	Low		Joe Logiacco

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
		street cleansing activities inadequate		* Records of procedural compliance, * Procurement of fleet, plant and equipment to mitigate risk, * Regular servicing / maintenance of fleet, plant and equipment.			
Operational	Operational Activities	Tree maintenance program ineffective	Medium	Continuous improvement on operational works scheduling CRM's. Proactive pruning and pollarding when available. Consultation with subject matter experts with direct relation to street tree planting species/genus.	Low	Parks and Open Space department are ensuring that Councils street tree canopy is not in decline, due to new performance management tools being created by June 30 2019.	Kyle Jamieson
Operational	Operational Activities	Unexpected, undesirable crowd behaviour	High		Low	The Head of Communications and Events and Co- ordinator of Events should be present at all major events/functions to	Christine Stamper

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						deal with any minor issues or escalate the matter to involve the police. Council staff are fully briefed on the actions they need to take should a person/s become aggressive at an event/function. For large scale events such as New Year's Eve Fireworks the Police and Private Security are engaged to control crowds.	
Operational	Human Resources	Workforce Management Plan Poorly Developed and / or Implemented	High	Workforce Management Plan	Low	The Manager Human Resources will review, modify and implement the Human Resources Strategic Plan when endorsed by the Executive	Kristina Forsberg
Operational	Operational Activities	Partnerships between Information Technology and other Business Units ineffective	High	Coordination, communication and collaboration	Extreme		Robert Kolimackovski

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				management initiatives			
Operational	Operational Activities	Performance Reporting Inadequate	Extreme	Progressive rollout and testing of performance meaurement and management processes	Extreme		Samantha Urquhart
Operational	Operational Activities	Telephony systems ineffective	Extreme		Extreme		Robert Kolimackovski

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Political	Project	A proposed merger disrupts the project	Extreme		Very High		Robert Kolimackovski
Political	Project	Adverse public opinion	Extreme		Very High		Robert Kolimackovski
Political	Project	Change of Federal / State Government policy / legislation e.g. approach to nationalisation	High		High		Robert Kolimackovski
Political	Project	Change of Federal / State government	Medium		Medium		Robert Kolimackovski
Political	Project	War & disorder	Low		Low		Robert Kolimackovski

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Strategic	Service	Council may lack the ability to manage emergent risks associated with large crowds of people in public spaces within the LGA	Extreme	* deployment of temporary barricades / heavy vehicles * deployment of additional security personnel * collaboration with Police and other Government agencies * collaboration with proprietors of properties adjoining public spaces concerning additional security measures during events * Monitor changing security requirements and reconsider risk appetite position if necessary	Very High	Mitigation strategies implemented. New Year's Eve Fireworks Event Management Plan successful.	Meredith Wallace
Strategic	Environmental	Council failure to properly address the potential landfill gas migration on Council owned/controlled land at Cooks Cove.	Extreme	Landfill Gas Management Plan for site Undertake additional testing on adjoining properties	High	Site divided into two management areas ie gas migration area adjacent to residential and remaining residual landfill. Developed landfill gas management plan for residual area. Drafted sampling and test plan	Michael McCabe

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						for gas mitigation area and under review by EPA and Council's EPA accredited auditor. Testing to be undertaken by end of February/March and results to be provided to EPA. EPA will then prepare a final report outlining the next steps.	
Strategic	Environmental	Council failure to properly assess other potential contamination sites owned/controlled by Council.	Extreme	Assessment of sites and remedial action plans developed	High	Council undertaking a desktop study.	Michael McCabe
Strategic	Environmental	Council failures to properly address the potential contamination issues at Kendall Street Reserve Sans Souci	Extreme	Remediation and Management Strategy required for site. Undertake additional testing on adjoining properties	High	On site testing completed to determine extent and nature of contamination. Discussions with EPA underway to determine next steps.	Michael McCabe
Strategic	Financial	Failure of Infrastructure - a major unit of infrastructure may fail unexpectedly and / or catastrophically	High	* Implement Strategic Asset Management on Technology One System; * Implement enhanced asset management/ budget management	High	Strategic Asset Management Committee meeting regularly and report to the Executive Committee	Meredith Wallace

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				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			
Strategic	ICT	The inability of the organisation to deliver, and embrace new integrated technology platforms and business applications	Very High	* Ensure project is resourced with a dedicated highly skilled project lead and resources; * Recruit and maintain dedicated risk management for strategic projects; * Implement and maintain regular reporting to Executive (weekly) of strategic project status	High	IMT Strategic Plan being developed and oversight by IMT Steering Committee continues.	Michael Mamo

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Strategic	Strategic	Adverse or unplanned impacts of population growth within the LGA	High	* monitoring of census data and other population trends * maintain close links to relevant external agencies * maintain flexible workforce and structure	Medium	Current mitigation strategies underway including development of the Bayside LEP, review of Contributions Plan and Asset Management Strategy	Michael McCabe
Strategic	Strategic	Construction of F6 in LGA	Very High	* Maintain lobbying of Council requirements * Increase public attention to issues * Solicit support of local MPs	Medium	Council engaged a consultant to co- ordinate Council's response to the NSW Government's Environmental Impact Study (EIS) for the F^ Extension Stage 1. Council in December 2018 lodged a submission in response to the EIS. Monitoring and review continues.	Michael McCabe
Strategic	Service	Customer Service Performance may fail to meet community expectations	Very High	* Leadership performance agreements * Review Compliance * Council Communication Strategy * Develop Customer Service Strategy	Medium	New Manager Customer Experience appointed with commencement on 4 February 2019 and will lead the completion of Customer Experience Project.	Debra Dawson

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				* Team meetings * Develop training initiatives * Monitoring enhancements			
Strategic	Strategic	Eyes are on us Political, OLG, Community, ICAC, Other Councils, Communications – take the lead	Medium	* Strong Communications Strategy * Implement ICAC recommendations	Medium	Strong progress has been made in addressing both the ICAC and Audit Office recommendations. 45 actions were developed in response to the Operation Ricco findings. Of those 34 are now complete and it is expected that the remainder will be finalised by June 2019. ICAC have accepted and published Council's end of 2018 progress report. Council has received Management Letters from the Audit Office for Botany 2015-16 and Bayside 2016-17. Substantial progress has been made with outstanding matters halved in the latter year.	Meredith Wallace

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Strategic	Operational Activities	Failure to deliver one or more major Transition Projects within Time / Cost / Scope / Quality expectations	Very High	* Regular reporting regime - Executive - Council - OLG * Regular Resource reassessment * Regular risk assessments	Medium	Monitoring and regular reporting to the Executive Committee continues on the Transition Projects and Budget.	Meredith Wallace
Strategic	Strategic	Failure to identify and respond to critical emerging social issues - for example "affordable housing" within LGA	Very High	* Create harmonised / new LEP / DCP for LGA * Represent Council's position with strong lobbying and representation with State Planning Agencies * Review of planning controls as harmonisation of LEP/DCP * Review capacity to deliver regional plan * Improve community engagement initiatives	Medium	Council submission made in December 2018 on Proposed Amendment to State Environmental Planning Policy No. 70— Affordable Housing (Revised Schemes). Affordable Housing Strategy in development.	Michael McCabe
Strategic	S.A.M.	Failure to manage Assets sustainably for the future requirements of the community	Very High	* Undertake Audit of Community buildings and structures; * Implement SAM on Technology One	Medium	Strategic Asset Management Committee established and meets regularly.	Debra Dawson

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				System * Realistic budget assessment and bids * Very large budgetary allocations for asset renewals will be required in addition to treatment mechanisms above			
Strategic	Strategic	Inability to effectively manage and control urban development and growth in the LGA	High	* Create harmonised / new LEP / DCP for LGA * Represent Council's position with strong lobbying and representation with State Planning Agencies * Consult on Community Strategic Plan with State Planning Agencies * Alignment of District Plans with Council Plans	Medium	Project Plan in place for development of Bayside LEP & DCP. Additional State Government Funding received. Public Exhibition of draft Local Strategic Planning Statement planned on track for 1 July 2019.	Michael McCabe
Strategic	ICT	IT security threats may not be adequately managed	High	* IT Policy framework, and ITIL Framework adoption; * appropriate funding, resourcing and capacity to deliver;	Medium	NSW Audit Office issued draft report on IT Audit. Under review and action plan being developed to address recommendations.	Michael Mamo

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				* staff training with regular 3rd party reviews; * DR testing; * Partnering with industry leading security vendors and conducting regular reviews and audits; * Changes to infrastructure occur through Change Advisory Board with vendor support; * Strong Corporate Governance through IMT Steering Committee, regular project status and budget reporting; * Complete and clear assignment of accountability in IMT staff structure;		Progressing transfer of infrastructure and applications to off site facility.	
Strategic	Strategic	Lack of understanding and/or preparation for climate change impacts, including clean energy initiatives and ineffective	High	Create permanent working group to monitor and report on projected costs of climate change and savings measures	Medium	Environmental Strategy being developed to include climate change issues.	Debra Dawson

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
		Management of the impact of climate change.		required to address and minimise such costs			
Strategic	Strategic	Potential harm to the environmental (eg water, air quality, drainage)	Very High	* Environmental checklist on projects * Reviewing SOE effects	Medium	Stage 1 of the Bayside Water Management Strategy completed and Stage 2 underway.	Michael McCabe
Strategic	Strategic	West Connex development results in significant increase in traffic volumes within Bayside	High	Represent Council's interests with State government and other stakeholders	Medium	Council monitoring opportunities for consultation. Latest submission in October 2018 on Urban Design and Landscaping Plan.	Michael McCabe
Strategic	Strategic	Airport does not pay or pays significantly less than assessable rate equivalent payments to Council	Very High	Deed of Agreement entered into to manage levy and payments	Low	RECOMMEND to Transfer to Operational Risk. Deed of Agreement entered into in December 2018 and effective 1 January 2019. Notices of Payment and payments made in accordance with that Agreement.	Michael Mamo
Strategic	Strategic	Corporate knowledge and systems may not be adequate to meet targeted service levels	High	Implement business process and controls; undertake service reviews to determine effective operations;	Low	Business Processes & Controls for key functions completed. Progress report to ICAC on implementation of	Michael Mamo

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
						recommendations submitted in December 2018 and was well received. IMT Strategic Plan in development.	
Strategic	Financial	Council may be bound in the short-term to unprofitable non-core airport business unit	High	* Develop, document and implement Airport business unit risk management and governance policies and procedures * Develop Airport business unit exit Strategy * Improve budgetary and reserve provisions	Low	RISK CLOSED - Airport Business Unit closed and contract terminated effective 30/9/18.	Colin Clissold
Strategic	Reputational	Council may fail to fully and effectively implement the recommendations of the ICAC and the NSW Audit Office arising from Project Ricco and the audit of the former City of Botany Bay generally and with particular reference to fraud and corruption prevention and detection controls	Very High	* Project Control Group (PCG) established * Clear Project Plan to address issues * Implement communications strategy * Effective liaison with OLG and ICAC * Regular reports to Executive, Audit Committee and Council	Low	Progress report to ICAC in December 2018 well received. Monitoring continues of implementation by Executive and Risk & Audit Committee.	Michael Mamo

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Strategic	Staff	Council may have significant difficulty harmonising disparate workplace salary and entitlement systems of former RCC and CBB	High	* Implementation of "Project Harmony" * Close attention from Executive to this matter, business case approved for harmonising project; * "Project Harmony" will harmonise terms and conditions of employment, salary system and policies across two former Councils; * Council Agreement to be negotiated with Unions; * Executive endorsement for specialist resources to support project and process; * Engagement has commenced with Unions; * Demonstration to the process with new Airport Business Unit Council Agreement resolving outstanding pay and conditions issue for this Business	Low	RECOMMEND RISK CLOSURE. All projects identified to harmonise the two organisation has been completed.	Kristina Forsberg

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Strategic	Reputational	Council may lack the PR resources and expertise to withstand the reputational damage expected to arise from the ICAC findings on Operation Ricco	Very High	Unit; * Further advanced than other amalgamated Councils * Maintain strong communication strategy with Staff Consultation Committee, Unions, * Project Control Group (PCG) established * Clear Project Plan to address issues * Implement communications strategy * Effective liaison with OLG and ICAC * Regular reports to Executive, Audit Committee and Council	Low	Strong progress has been made in addressing both the ICAC and Audit Office recommendations. 45 actions were developed in response to the Operation Ricco findings. Of those 34 are now complete and it is expected that the remainder will be finalised by June 2019. ICAC have accepted and published Council's end of 2018 progress report.	Meredith Wallace
Strategic	Community	Council merger may impede community collaboration and	Medium	Ensure Council Staff engage effectively with the community	Low	Implemented - Under Executive Review. Community	Debra Dawson

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
		consultation due to parochial influences carried forward from former LGAs		* Use variety of engagement modes * Effective Induction Program IP&R Framework in place. Community Engagement Strategy under review		Engagement activities continue. Six month progress report to 31 December 2018 on Delivery Program & Operational Plan prepared.	
Strategic	Strategic	Fail to achieve the designated goals in the Community Strategic Plan; and/or Delivery Program and/or Annual Operational Plan	High	IP&R Framework established; maintain routine half-yearly Integrated Planning and Reporting through PULSE system to Executive & Council; maintain monthly financial reporting & budget variance analysis by business unit; maintain manager performance bonus system linking achievement of operational plan targets to performance pay	Low	Integrated Planning & reporting framework in place. Six monthly progress report on Delivery Program & Operational Plan to 31 December 2018 completed with 93% of actions completed and/or on target	Meredith Wallace
Strategic	Community	Fail to provide services relevant to community needs,	Medium	Effective IP&R framework enabling preparation of Community Strategic	Low	Implemented and under Executive Review. Six monthly progress report on	Debra Dawson

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
		expectations and demographics		Plan through extensive Community Consultation and Research, Community Engagement Policy and Strategy to Improve engagement techniques; Community reporting		Delivery Program and Operational Plan to 31 December 2018 completed showing 93% of actions completed and/or on target.	
Strategic	Community	Failure of Community to effectively engage with Council as a legitimate service provider and successor the previous entities	Medium	Implemented and under Executive review. Community Engagement Policy and Processes, Monitor engagement strategies, use variety of engagement modes	Low	Six month progress report to 31 December 2018 on Delivery Program and Operational Plan completed showing 93% of actions completed and/or on target.	Debra Dawson
Strategic	Staff	Failure of the organisation to adopt the new organisational culture and values	High	Promote and embed new values for the organisation; implement training and awareness programs on organisational values; Implement Reward and Recognition Program to reinforce values and behaviours; Organisational	Low	Implemented and under Executive Review. Bayside Values were created by staff. Over 375 staff member participated in the process, which means that staff are much more likely to adhere to the values and the culture. Several workshops and	Kristina Forsberg

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				Structure embedded; Maintain ongoing support for employees during "change" processes; Maintain consultative processes; Embed performance management system to support values.		training programs have been rolled out to anchor the values, culture and expected behaviour.	
Strategic	Compliance & Regulatory	Failure to comply with legislation / obligation	Medium	Legislative controls and checks built into processes - Pathway; Legal advice; Professional Indemnity insurance, Business Process & Controls, Enterprise Risk Management system, Position Descriptions, Strategic Tasks List, Online legislative compliance database and notification system being implemented, Policy being implemented.	Low	Mitigation strategies in place. Online Legislative Compliance database to be implemented. Draft Legislative Compliance Policy developed.	Michael Mamo
Strategic	Financial	Financial resources may not be sufficient to fund Council's operations	High	Implement enhanced asset management/ budget management and reporting	Low	Budgetary & Financial Reporting processes in place. Development of long term financial plan	Michael Mamo

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				processes to improve strategic asset management performance. Undertake comprehensive service reviews to determine effective operations. Improved Financial management practices including monitoring and reporting.		and strategic asset management plan underway.	
Strategic	Financial	Inability and/or failure to manage financial obligations sustainably for current and future community requirements.	High	* Implement SAM on Technology One System; Implement enhanced asset management/ budget management and reporting processes to improve strategic asset management performance; Implement strong governance and transparent reporting on development of CSP and Long Term Financial Plans	Low	Budgetary and Financial monitoring and reporting processes in place. Long Term Financial Plan and Asset Management Plan in development.	Michael Mamo
Strategic	Reputational	Public Relations failures / community	Medium	* Develop Variety of Community	Low	Implemented and under Executive	Meredith Wallace

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
		engagement * failure to adequately engage with community * failure to adequately deal with public relations issues with community		Engagement Models * Develop validation model		Review. Community engagement methods continue to be developed based on individual circumstances. Six month progress reporting to the community prepared and for publication in mid February 2019.	
Strategic	Staff	The organisation may not be able to attract and retain high quality personnel	High	Organisation values, conditions of employment and culture are all favourable and has demonstrated ability to recruit quality candidates; Finalised Organisation restructure, Project Harmony and other changes will assist in attracting candidates to Organisation; Modernised Recruitment process including targeted recruitment through LinkedIn to assist in white collar and specialist recruitment;	Low	A talent acquisition review project is taken place. The objective is to implement a recruitment framework that allows Bayside to attract and select talent whilst ensuring they experience a 5 star recruitment process and induction process.	Kristina Forsberg

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				Undertake Benchmarking for salaries for Managers has been favourable; Current extensive projects has kept interest of key employees to remain engaged and satisfied in their employment with Council; Enter into industry awards and competitions			
Strategic	Community	Unplanned or change in direction caused by Political influence	High	Code of Conduct and training; Fraud and Corruption Prevention strategy and policy and training; improved engagement with Councillors; Maintain liaison with Minister and OLG; Councillor Induction & Development Program; General Manager Briefing sessions, IP&R framework	Low	Continuation of General Manager Briefing Sessions and Councillor Development Program. Integrated Planning & Reporting framework in place with six monthly report on progress to community on progress.	Michael Mamo

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
Strategic	Staff	Workplace risks associated with change fatigue	Medium	* Integration of Bayside business systems * Communicate about environment of continuous change as the new norm * Communicate to staff about changes about to occur and about changes occurring across the organisation to reinforce that change is the new norm * Ensure change communications and consultation with staff is carried out in a manner which eliminates pockets of isolation which can create significant 'outbreaks' of change fatigue and/or resistance * Ensure change management focuses upon positive transitional organisational, systems, cultural and	Low	Implemented and under Executive review as active monitoring of workplace environment continues.	Kristina Forsberg

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner
				personal goals for staff, customers and other stakeholders so that change is a process to be embraced instead of endured			



Item No 5.9

Subject Liability Claims Performance Overview
Report by Fausto Sut, Manager Governance & Risk

File F08/85

Summary

This report informs the Committee of the current litigated claims and potential litigation matters against Council with accompanying claims statistics. In brief, the number of litigated matters on hand have reduced and Council has good claims management processes reducing the number of outstanding claims to 11 of which 4 relate to the 2018 insurance policy year ended 31 January 2019.

Officer Recommendation

That the report be received and noted.

Background

Council currently has two (2) litigated matters and two (2) further matters where there is potential for litigation. There has been no significant progress in any of the previously reported matters.

In addition to the above, there are two (2) claims which were recently received which could also proceed to litigation and investigations are ongoing. These relate to a Council tree damaging a private vehicle and a personal injury claim on a stormwater pit.

Holistic Claims Summary

The following tables depict claims and notifications as received by Council over a five (5) year insurance policy year period (i.e. 1 November to 31 October). The historical data consolidates available claims and notifications histories of the former councils.

Claims Statistics

In brief, the liability claim categories in the 1st quarter of the 2018 policy year were higher in number and value compared to the previous quarter. As a result of unpredictable weather conditions, Council has received an increase in pothole and tree damage to property claims as evidenced in the Table below.

1 Last Quarter at a Glance

In the quarter to 31 January 2019, a total of 97 notifications and claims were received (an increase of approximately 40%). This was above average compared to the previous quarter.

Item 5.9 316

	2018 – 1 st Qua	arter	2017 – 4 th Quarter			
Claim Type	No of	Claim Value	No of	Claim Value		
Golf ball damage	4	\$461	3	\$985		
Personal Injury	4	\$19,000	5	\$28,024		
Tree roots	11	\$55,500	13	\$41,850		
Professional Indemnity	0	\$0	1	\$1,896		
Other Property Damage	78	\$262,986	48	\$94,310		
Total	97	\$337,947.00	70	\$167,065.00		

2 Total Claims Summary

The number of outstanding claims since 2014 is 11 out of which 4 relate to the 2018 insurance policy year; these claims have an estimated value of \$12,004.68. Predominantly the outstanding claims are small in nature and the majority relating to pothole and tree damage to property. The values are not conclusive and may increase should claims become litigious and are quantified by the claimant.

				Amount	Number	Amount	Number	Amount	Number
Pool Year	Claims	Category	Claims	Settled	Settled	Outstanding	Outstanding	Denied	Denied
2014	41	Third Party Personal Injury	212,671.44	95,786.10	41	98,885.34	2	18,000.00	14
2014	133	Third Party Property	160,239.64	88,270.63	133	-	0	71,969.01	54
2014	27	Tree Roots	99,855.30	19,080.60	27	-	0	80,774.70	14
2014	0	Professional Indemnity	-	-	-	-	0	-	0
2015	56	Third Party Personal Injury	125,184.00	100,089.00	56	-	0	25,095.00	50
2015	134	Third Party Property	120,190.53	49,117.27	133	-	0	71,073.26	57
2015	12	Tree Roots	56,104.50	16,076.50	12	-	0	40,028.00	8
2015	1	Professional Indemnity	4,700.00	4,700.00	1	-	0	-	0
2016	49	Third Party Personal Injury	79,685.40	310.00	47	42,375.40	3	37,000.00	42
2016	98	Third Party Property	104,317.87	17,151.27	95	-	0	87,166.60	47
2016	7	Tree Roots	23,452.25	3,539.25	7	-	0	19,913.00	3
2016	0	Professional Indemnity	-	-	0	-	0	-	0
2017	31	Third Party Personal Injury	56,097.30	1,739.35	18	-	0	54,357.95	14
2017	116	Third Party Property	270,605.02	23,621.41	54	-	0	246,983.61	87
2017	29	Tree Roots	109,925.00	-	4	25,000.00	2	84,925.00	25
2017	2	Professional Indemnity	443.00	443.00	1	-	0	-	0
2018	4	Third Party Personal Injury	19,000.00	-	0	_	0	19,000.00	0
2018	82	Third Party Property	263,447.17	4,043.83	8	12,004.68	4	247,398.66	70
2018	11	Tree Roots	55,500.00	-	0	-	0	55,500.00	11
2018	0	Professional Indemnity	-	-	0	-	0	-	0
Totals	736		1,761,418.42	423,968.21	637	178,265.42	11	1,159,184.79	496

Attachments

Nil

Item 5.9 317