Bayside Council
Serving Our Community

MEETING NOTICE

A meeting of the
Risk & Audit Committee
will be held in the Level 2 Conference Room
Administration Building, Princes Highway, Rockdale
on **Thursday 23 May 2019** at **6:30 pm**

AGENDA

1   ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

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

2   APOLOGIES

3   DISCLOSURES OF INTEREST

4   MINUTES OF PREVIOUS MEETINGS

5   REPORTS

External Audit (Manager Finance)

Internal Audit (Internal Auditor)

Quality Management (Manager Finance)

Risk Management (Manager Governance and Risk)

Legislative Compliance (Manager Governance and Risk)

Nil.

Performance Management (Manager POC)

Nil.

External Accountability (Manager Finance)

Nil.

6   GENERAL BUSINESS

7   NEXT MEETING

Meredith Wallace
General Manager

Risk & Audit Committee   23/05/2019

Item No	4.1
Subject	**Minutes of the Risk & Audit Committee Meeting - 28 February 2019**
Report by	Fausto Sut, Manager Governance & Risk
File	SF19/209

Officer Recommendation

That the Minutes of the Risk & Audit Committee meeting held on 28 February 2019 be confirmed as a true record of proceedings.

Present

Jennifer Whitten, Independent External Member
Lewis Cook, Independent External Member
Barry Munns, Independent External Member
Catriona Barry, Independent External Member
Councillor Liz Barlow

Also Present

Meredith Wallace, General Manager
Michael Mamo, Director City Performance
Fausto Sut, Manager Governance & Risk
Matthew Walker, Manager Finance
Natasha Balderston, Coordinator Risk & Audit
Steve Kent, Internal Auditor – BDO
Cate Trivers, Project Manager, Project 2020
Robert Kolimackovski, Manager IT

The Chairperson opened the meeting in the Level 2 Conference Room 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
Apologies were received from:
Councillor Scott Morrissey
Councillor Dorothy Rapisardi
David Nolan, Director Financial Audit Services - Audit Office of NSW

3   Disclosures of Interest

There were no disclosures of interest.

4   Minutes of Previous Meetings

4.1   Minutes of the Extraordinary Risk & Audit Committee Meeting - 31 January 2019

Committee Recommendation

1   That the Minutes of the Risk & Audit Committee meeting held on 31 January 2019 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
28/02/19 5.5	Copy of Project 2020 Risks & Issues to be provided to all Committee members.	Project Manager, Project 2020
28/02/19 6.1	Response to Councillor Scott Morrissey's question regarding Health Checks to be circulated to all Committee members.	Manager Governance & Risk

5   Reports

5.1   Outstanding Internal Audit Recommendations

Committee Recommendation

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

5.2   Internal Audit Plan Update

Committee Recommendation

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

2   That the Internal Audit Plan be amended to include the internal audit validation of progress on Project 2020.

5.3   Risk & Audit Committee Charter - Alignment to Model Guidelines

Committee Recommendation

1   That the report be received and noted.

2   That a further review of the Charter be undertaken following release of proposed White Discussion papers on Internal Audit by the Office of Local Government.

5.4   2016/17 Draft Final Management Letter

Committee 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.

5.5   Project 2020 Update

Committee Recommendation

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

5.6   Draft Interim IT Audit Management Letter - 30 June 2018

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

5.7   Health Check - Validation Reports

Committee Recommendation

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

5.8   Risk Registers - Review and Update

Committee 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.

5.9   Liability Claims Performance Overview

Committee Recommendation

That the report be received and noted.

6   General Business

6.1   Health Checks

Note:

The Manager, Governance & Risk mentioned he had received some questions relating to the Health Checks, prior to the meeting, from Councillor Scott Morrissey.

Committee Recommendation

That the Manager Governance & Risk circulates his response to all Committee members.

7   Next Meeting

An extraordinary meeting will be held in the Conference Room, Level 2 of the Bayside Administration Centre at 6:30 pm on Thusday, 28 March 2019.

The Chairperson closed the meeting at 8:26 pm.

Attachments

Nil

Item No   4.2

Subject   **Minutes of the Extraordinary Risk & Audit Committee Meeting - 28 March 2019**

Report by   Fausto Sut, Manager Governance & Risk

File   SF19/209

Officer Recommendation

That the Minutes of the Extraordinary Risk & Audit Committee meeting held on 28 March 2019 be confirmed as a true record of proceedings.

Present

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

Also Present

Michael Mamo, Director City Performance
Fausto Sut, Manager Governance & Risk
Natasha Balderston, Coordinator Risk & Audit
Matthew Walker, Manager Finance

The Chairperson opened the meeting in the Level 2 Conference Room of the Administration Building at 6:40 pm.

1   Acknowledgement of Traditional Owners

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

2   Apologies

The following apologies were received:

Meredith Wallace, General Manager

Councillor Dorothy Rapisardi

David Nolan, Director Financial Audit Services - Audit Office of NSW

3   Disclosures of Interest

There were no disclosures of interest.

4   Reports

4.1   Project 2020 - Draft 2017-18 Financial Statements

Committee Recommendation

That the committee receive and note the report.

4.2   Finalised Management response to the draft Audit Management Letter for the year ended 30 June 2017

Committee Recommendation

1   That the attachment/s to this report be withheld from the press and public as they are confidential for the following reason:

With reference to Section 10(A) (2) General of the Local Government Act 1993, the attachment relates to the matters in this report are confidential, as it is considered that it is in the public interest that they not be disclosed to the public. In accordance with the Code of Conduct, the matters and the information contained within this report must not be discussed with or disclosed to any person who is not a member of the meeting or otherwise authorised.

2   That the final management response to the draft Audit Management letter for Bayside Council for the 2016/17 Financial Statements be received and noted.

4.3   Project 2020 - Draft 2017-18 General Purpose Financial Reports

Committee Recommendation

1   That the Risk & Audit Committee receives and notes the draft 2017/18 General Purpose Financial Reports.

2   That the Risk & Audit Committee receives and notes the comparative analysis presentation.

3   That the Risk & Audit Chair and Committee be invited to the future Council meeting where the audited financial reports will be presented.

5   General Business

6.1 Movement of Staff – Procurement/IT

A response was provided by the Director of City Performance.

6.2 Lateness of Business Paper

The late publication of the business paper was discussed.

6 Next Meeting

That the next meeting of the Risk and Audit Committee will be held in the Level 2 Conference Room at 6.30pm on Thursday, 23 May 2019.

The Chairperson closed the meeting at 7:54 pm.

Attachments

Nil

Bayside Council
Serving Our Community

Risk & Audit Committee

23/05/2019

Item No	5.1
Subject	**Project 2020 Status Report**
Report by	Matthew Walker, Manager Finance
File	SF19/209

Summary

Project 2020 (P2020) has been formed to address the disclaimer of opinion being issued by the NSW Audit Office on Bayside Council's financial statements (2016/17). As part of the Governance structure for Project 2020, the Risk & Audit Committee will receive quarterly project updates.

Officer Recommendation

1   That the Risk & Audit Committee receives the updated Project 2020 Project Status Report as of April 2019 and notes the major P2020 project risks and mitigations. In particular, WBS 2 Fixed Assets and the Audit Office assessment of Extreme Risks noting:

    a   Action plans are in place and risks being managed.

    b   Extreme Risk rating over remediation of the Land Improvements and Other Structures.

    c   High Risk rating in IT due to number of new system implementations in 2018/19 not yet having been subjected to audit.

2   That the Risk & Audit Committee notes the NSW Audit Office have advised dates for the audit program and P2020 reporting timeframes have been updated to reflect:

    i   Draft Statements submitted to Audit Office, 23 August 2019.

    ii   Extraordinary Risk & Audit Committee Meeting, 24 October 2019.

    iii   Extraordinary Council Meeting to refer to Audit, 30 October 2019.

    iv   Submission of 2018/19 Financial Statements to the Office of Local Government, 31 October 2019.

    v   The Audit Opinion and final Statements will be reported to the November Council meeting (subject to receiving audit opinion).

3   That the Risk & Audit Committee notes the major P2020 project risks and mitigations.

4   That the Risk & Audit Committee notes the status of implementation of Council's management responses to Audit Management Letters and finalising the implementation of the ICAC action plan (refer Attachment 6).

Background

Project 2020 (P2020) has been formed to address the disclaimer of opinion being issued by the NSW Audit Office on Bayside Council's financial statements (2016/17). As part of the Governance structure for Project 2020, the Risk & Audit Committee will receive quarterly project updates.

The Risk & Audit Committee received Council's proposed Project 2020 (P2020) project plan on 31 January 2019, and Council initiated the project in February 2019. The first status report was provided to the Risk & Audit Committee on 28 February 2019. A subsequent update was included in the report to the Extraordinary Risk & Audit Committee on 28 March 2019 in consideration of the 2017/18 Draft Financial Statements.

Section 1:   Project Status Report – April 2019

This project status report provides a summary of P2020 against project milestones for each workstream, progress on remediation of significant audit issues, and project risks and risk management (refer Attachment 1).

For consistency, the Overall Risk Rating has been assessed based on the NSW Audit Office definitions of consequence and likelihood. For issues where the consequence is assessed as High or Extreme and when this combines with a Likelihood of Likely, then the overall risk assessment will result in a minimum of a High rating. The definition of Likely is: "The event will probably occur once during the year" and have a probability of "more than 20 percent and up to 99 percent". For Bayside Council, at this stage it is likely that events may fall into this range of probability while Council continues to implement and embed improvements.

Overall Project Status Report

Current Status:	In Progress – On track
Overall Risk Rating:	Consequence – Very High; Likelihood – Likely; Overall Risk Assessment – High
Next Milestone/s:	Interim Audit – mid June to mid-July Final Asset Adjustments (WBS 2) – 15 August 2019 Submission to Audit – 23 August 2019
Project Status Update:	

Overall the project remains on track to final milestones adjusted for the revised dates for the 2018/19 Audit program and reporting to Council. The first milestone for WBS 1.1 has been achieved when the 2017/18 Financial Statements were submitted to audit on 10 April 2019.

A review of the P2020 Project Plan has been completed with updates made reflecting updates to timeframes to reflect current expectations. These updates do not impact overall outcomes and objectives with all major milestones still forecast to be met.

Management are continuing to focus on managing emerging risks and where identified additional external resources have been budgeted for in the March Quarter Budget Review to support the delivery of P2020.

WBS 1.1 Financial Statements – 2017/18

Current Status:	In Progress – On track
Overall Risk Rating:	Consequence – Very High; Likelihood – Likely; Overall Risk Assessment – High
Next Milestone/s:	Receipt of Audit Report – To be advised (NSW Audit Office) Submission to Office of Local Government – 31 May 2019
Project Status Update:	

In accordance with the original P2020 Project Plan the 2017/18 Financial Statements have been finalised with audit issues un-remediated and have been submitted to audit with the expectation of a disclaimer of audit opinion.

The 2017/18 audit opinion has not yet been received (as at 9 May 2019).

Council has committed to the Office of Local Government (OLG) to submit the accounts by 31 May 2019.

Risk ratings have been assessed based on the criteria used to assess audit risks in the NSW Audit Management risk framework recommended as best practice for Councils.

Key Risks being managed include:

Risk Category	Risk	Risk Mitigation Actions	Overall Risk Assessment
Timeframes / Quality – External Audit	The 2017/18 Financial Statements receive a disclaimer of opinion due to un-remediated balances and audit issues.	Management accepted this risk and consequence and consulted with the Auditor General and NSW Audit Office on approach prior to submitting the 2017/18 Financial Statements to audit. Management continue to engage with the OLG, Audit Office and keep Council informed.	Extreme

WBS 1.2 Financial Statements – 2018/19

Current Status:	In Progress – On track
Overall Risk Rating:	Consequence – Very High; Likelihood – Likely; Overall Risk Assessment – High
Next Milestone/s:	Interim Audit – mid June to mid-July Submission to Audit – 23 August 2019
Project Status Update:	

The WBS 1.2 Financial Statements preparation for the 2018/19 year end is in progress.
The project team consists of the Bayside Council's Finance Business Unit reflecting this is core operations for the business unit.

Project dependencies run across all work streams: WBS 2 Asset Management, WBS 3 Employee Leave Entitlements (ELE) and Payroll, WBS 4 IT, and all business unit's financial management. Each P2020 work streams has responsibility for remediation of audit issues, maintenance of internal controls, and completion of quality analysis and reconciliations for the 2018/19 year end.

The WBS 1.2 Financial Statements team is dependent on the quality of the monthly reporting and reconciliation and analytical review controls and quality of postings from financial sub-systems.

The monthly reporting and reconciliation process had fallen behind during the January to April 2019 period due to competing priorities and limited resources. Remedial action are in progress to bring processes back on track for April month end. Management continue to focus on quality and addressing system issues and correction of postings across systems.

The P2020 Project Plan has been updated (April Revision) to reflect:

☐   NSW Audit Office confirmation of timeframes for interim and final audit and impact on finalisation of statements.

☐   Impact on resourcing due to finalisation of the 2017/18 and focus on April financial reporting and reconciliations processes.

Finance resourcing is currently being reviewed due to changes in staff and vacancies in positions.

P2020 utilises a number of checkpoint meetings to review progress and for management to review quality.

Key Risks being managed include:

Risk Category	Risk	Risk Mitigation Actions	Overall Risk Assessment
Quality – Remediation of Audit Issues	Complex and material audit issues – Assets, IT and Employee Leave Entitlements.	Various, refer management of Audit Issues.	High
Quality – Data Integrity	Controls over quality of postings and transfer of data between systems. Two Operating environments. Authority and Pathways for Revenue and Banking posting to Technology One.	Finance addressing identified issues in Pathway and Authority mapping to Technology One.	High
Quality – Data Integrity	New System implementation – Ichris interfacing (manually) to General / Project Ledgers.	POC – Refer WBS 3 Payroll post implementation review and reconciliation processes in conjunction with Finance. Identified costing issues to be corrected.	High
Quality – Data Integrity	New System implementation – Migration of Authority to Pathway. (2018/19).	IT – Refer WBS 4 addressing change controls and verification of data migration. Identified Pathway & Authority mapping to be addressed.	High
Quality – Audit Working Papers	Reconciliations and audit work papers are of insufficient quality and ledger balances are not correctly stated.	Finance – Month end and year end reconciliation processes and analytical review.	High
Quality – Audit Working Papers – Assets	Asset Management Reconciliations and audit work papers are of insufficient quality and ledger balances are not correctly stated.	Various – Refer WBS 2 Asset Management. P2020 Checkpoints on Asset Management with focus on improving quality of asset capitalisation and audit issue remediation. Material issue – Timeframe for the valuation of the Land Improvements and Other Structure Asset Classes. Management will conduct periodic checkpoints and quality assurance processes over the quality of asset information. Year End Timetable updated for revised timeframe.	High
Timeframes	Audit timeframes will limit management's ability to respond to audit issues in the critical path.	Finance addressing quality of workpapers and accounts to be prepared in accordance with year end timetable and levels of resourcing within the Finance Business Unit.	High

WBS 2 Asset Management

Current Status:	In Progress – On track
Overall Risk Rating:	Consequence – Very High; Likelihood – High; Overall Risk Assessment – High
Next Milestone/s:	Land Improvements & Other Structures* – Contract Checkpoints (various) Interim Audit – mid June to mid July Capitalisation completed – 12 July 2019 Asset journals posted, Asset notes finalised - 31 July 2019 * Final Asset Adjustments – 15 August 2019
Project Status Update:	

Overall project remains on track however with noted changes to timeframes for resolution of the Audit Issues relating to the verification and valuation of Land Improvements and Other Structures. Updates to the P2020 Project Plan include revised dates due to vendors being unable to provide services in line with original project plan (refer previous assumptions).

The Land Improvements and Other Structures identification and valuation process represents an EXTREME RISK to P2020 objectives. Failure to achieve either completeness, quality or timeframes will potentially result in the continuation of the disclaimer of audit opinion. To manage this risk, the engagement with the vendor includes various checkpoints and management complete quality assurance and seek to engage the audit office in review of process and data quality at the interim audit.

Delays in finalising the 2017/18 Asset capitalisation have delayed internal resources commencing on the 2018/19 Asset capitalisation and documentation of policies and working papers.

Weekly checkpoint meetings with the Director City Futures and key asset managers have been implemented (May 2019) to monitor risks and progress of addressing all asset related issues and finalising the asset movements for 2018/19. Additional resources are being secured to support the delivery of P2020 deliverables. Overall, management continue to commit resources to achieve the P2020 timeframes and quality requirements.

Key Risks being managed include:

Risk Category	Risk	Risk Mitigation Actions	Overall Risk Assessment
Quality – Audit Working Papers – Assets	Asset Management Reconciliations and audit work papers are of insufficient quality and ledger balances are not correctly stated.	Various – Refer WBS 2 Asset Management. P2020 Checkpoints on Asset Management with focus on improving quality of asset capitalisation and audit issue remediation. Material issue – Timeframe for the valuation of the Land Improvements and Other Structure Asset Classes. Management will conduct periodic checkpoints and quality assurance processes over the quality of asset information. Year End Timetable	High

Risk Category	Risk	Risk Mitigation Actions	Overall Risk Assessment
		updated for revised timeframe.	
Quality & Timeframes– Audit Issue Remediation – Land Improvements & Other Structures	Land Improvements & Other Structure identification and valuation does not meet audit quality and / or timeframes	A professional consultancy has been engaged to complete this project. The engagement with the vendor includes various checkpoints and management complete quality assurance and seek to engage the audit office in review of process and data quality at the interim audit.	**Extreme** **Failure to achieve either completeness, quality or timeframes will potentially result in the continuation of the disclaimer of audit opinion.**
Timeframes	Audit timeframes will limit management's ability to respond to audit issues in the critical path.	Asset Managers addressing quality of workpapers and accounts to be prepared in accordance with yearend timetable.	High

WBS 3 Employee Leave Entitlements and Payroll

Current Status:	In Progress – On track
Overall Risk Rating:	Consequence – Very High; Likelihood – High; Overall Risk Assessment – High
Next Milestone/s:	Finalise ELE adjustments – 12 July 2019 Interim Audit – mid June to mid July Year End ELE Provisions finalised – 31 July 2019
Project Status Update:	

Overall remains on track to overall milestones for this work stream and remains in line with the P2020 objectives and timeframes for completion of the remediation for 30 June 2019.

Project commenced slightly later due to resources required to implement "Single Touch Payroll". Subsequent to the original plan increased quality assurance has been incorporated into the approach and included:

☐   *Independent Quality Assurance*

   o   *Engagement of external (internal audit) to conduct a review of the corrections to the Employee Leave Entitlements (legacy / audit issues). The brief was to ensure completeness and accuracy of adjustments, and quality of audit working papers. As a result of these reviews an additional consultancy has also been engaged to conduct data analysis of ALL employee leave balances to verify the completeness of the adjustments and identification of any potential misstatements of employee leave*

> *entitlements.*
>
> ☐ *External Consultancy to verify Employee Leave Entitlements.*
>
>   o *In addition to the work completed internally and configured (by external consultants) in the Test databases.*
>
> ☐ *Extension of archival arrangements of former Chris21 installations.*
>
> ☐ *Post Implementation Review of IChris implementation.*

Key Risks being managed include:

Risk Category	Risk	Risk Mitigation Actions	Overall Risk Assessment
Quality – Remediation of Audit Issues	Complex and material audit issues –Employee Leave Entitlements.	Various, refer management of Audit Issues.	High
Quality – Data Integrity	New System implementation – IChris interfacing (manually) to General / Project Ledgers.	POC – Refer WBS 3 Payroll post implementation review and reconciliation processes in conjunction with Finance. Identified costing issues to be corrected. Quality workpages evidencing system implementation and data reconciliation.	High

WBS 4 IT Management (Audit Issues)

Current Status:	In Progress – On track
Overall Risk Rating:	Consequence – Very High; Likelihood – High; Overall Risk Assessment – High
Next Milestone/s:	Finalise IT Audit Issues – 31 July 2019 Interim Audit – mid June to mid July Finalise IT Audit Issues dependent on TechnologyOne Project – 30 June 2020
Project Status Update:	

Work has commenced and progressed but since the original project plan was documented the NSW Audit Office 2017/18 IT Management Letter has been responded to by Management (draft April 2019). Due to staff changes in IT (the former Manager of IT has moved to a new role within Bayside Council) Mark Cleland has been appointed as Acting Manager IT and project stream lead. As a result of detailed planning the overall milestones have been adjusted to reflect expected timeframes as per responses provided to the audit letter, with dates extending to 31 July 2019. Overall the project remains on track to achieve project outcomes.

Key Risks being managed include:

Risk Category	Risk	Risk Mitigation Actions	Overall Risk Assessment
Quality – Remediation of Audit Issues	Complex and material audit issues – Assets, IT and Employee Leave Entitlements.	Various, refer management of Audit Issues.	High
Quality – Data Integrity	New System implementation – Ichris interfacing (manually) to General / Project Ledgers.	POC – Refer WBS 3 Payroll post implementation review and reconciliation processes in conjunction with Finance. Identified costing issues to be corrected.	High
Quality – Data Integrity	New System implementation – Migration of Authority to Pathway. (2018/19).	IT – Refer WBS 4 addressing change controls and verification of data migration. Identified Pathway & Authority mapping to be addressed.	High

In light of the NSW Audit Management Letter for IT Management 2017/18 the following dependency has been added to address the identification of systems that have come on line in 2018/19 (including IChris) and the anticipated move to the GovDC in June / July 2019. IT have implemented an IT Change Advisory Board to oversight change processes and controls.

5   Implementation of new IT and financial information management systems

> 5.1.   Manage new system implementations and changes to systems for IT and financial management information systems to maintain control environment, protect data, migrate data, and maintain internal controls

Changes in 2018/19 include:

- IChris (Implemented June / July 2018).

- Harmony transition to Qikkids.

- Migration of Authority to Pathway - Rating – April 2018.

- Integration (ETL) Authority to Techone – implemented July 2019.

- Migration of Authority to Pathway – Other – May / June 2019.

- Move to GovDC – June/July 2019.

Section 2:   2018/19 Audit Program and Updates to P2020 Project Plan

The NSW Audit Office have advised audit program dates which have updated the P2020 Project Plan for reporting of the 2018/19 Financial Statements:

- Interim Audit – mid June to mid July 2019.

- Final Audit – commencing 9 September for approximately 6 weeks.

The above changes to the Audit Program result in a change of approach and timeframes for referring the 2018/19 Financial Statements to the Risk and Audit Committee and Council reporting requiring the following meetings and report to Office of Local Government:

1   Draft Statements submitted to Audit Office – 23 August 2019.
2   Extraordinary Risk and Audit Committee Meeting – 24 October 2019.
3   Extraordinary Council Meeting to refer to Audit – 30 October 2019.
4   Submission of 2018/19 Financial Statements to the Office of Local Government - 31 October 2019.
5   The Audit Opinion and final Statements will be reported to the November Council meeting (subject to receiving audit opinion).

The proposed audit timeframes have increased the P2020 Project risks due to lack of time for any resolution of potential audit issues prior to the submission of the 2018/19 Financial Statements to the Office of Local Government by 31 October 2019. Mitigations to manage this risk include:

▪   Negotiation with NSW Audit Office to commence the final audit earlier.
▪   Quality of Working Papers and internal assurance reviews.
▪   Internal processes to complete the 2018/19 asset capitalisation commencing April 2019 to finalise completed projects year to date, with May to June to finalise in year projects by 12 July 2019.
▪   Internal focus on quality of interim audit working papers and sample testing including review of asset, liability and audit issues remediation.
▪   Draft 2018/19 Financial Statements will still be submitted to Audit on 23 August.

Section 4:   Progress on Audit Issues

To date the NSW Audit Office have issued the following management letters to which Bayside Council has provided management response and implemented actions to address recommendations:

1   NSW Audit Interim Management Letter for the year ended 30 June 2017.

    i.   Received November 2017, these actions have been implemented and reported on to the R&AC on a quarterly basis.

    ii.   In February 2019 Council's internal audit function (as provided by BDO) reviewed and provided a review of the progress reported by Management.

    iii.   For this update, where an Audit Issue raised in this interim audit report has also been raised and or is covered by a similar Audit Issue in the final management letter for 2016/17 then the Action has been updated and reported as Completed with commentary that the Action has been superseded. A link has been made to the most recent issue and updated in the action plan. This approach reduces the duplication of Audit Issues and Actions over time.

iv.   Refer to Attachments 2 and 3 for listings of actions completed and in progress / not commenced.

Completed	In Progress / On Track	In Progress / Off Track	Not Commenced	Total Actions
35	12	0	2	49

2   NSW Audit Management Letter for the year ended 30 June 2017.

i.   Received February 2019, Council's responses have been reported to the February Risk and Audit Committee.

ii.   Refer to Attachments 4 and 5 for listings of actions completed and in progress / not commenced.

Completed	In Progress / On Track	In Progress / Off Track	Not Commenced	Total Actions
14	39	0	3	56

3   Draft NSW Audit IT Management Letter for the year ended 30 June 2018.

i.   Draft received February 2019. Management's responses have been prepared and are being reported to the May R&AC meeting.

ii.   Pending management responses being confirmed, no additional update to the draft management responses is included in this report. Following finalisation monitoring will commence and be reported to the next R&AC meeting.

From 2019 Council has implemented a new corporate reporting solution to monitor and report on progress and completeness of actions. The detailed Progress Report on Action is included as an attachment to this report (refer Attachments 2 - 5). The format of the Action Plans are based on the new system, which provides for greater transparency and tracking. This system will continue to be rolled out in 2019.

Audit Issues – Audit Management Letter – Overall Risk Assessment of Extreme

The NSW Audit Office 2016/17 audit identified 3 Audit Issues classified with an Extreme Risk Assessment:

1   Audit Issue 1 – Journals (complete)
2   Audit Issue 2 – Cash (complete)
3   Audit Issue 3 – Fixed Assets (in progress)

The Extreme risk assessment relates to audit issues assessed by the Audit Office has having:

▪   Likelihood of Almost Certain - event occurs in most circumstances and with a probability of more than 99 per cent.

▪   Consequence of Very High – affects the entity's ability to achieve overall objectives, arises from systemic failure of governance practices and/or internal controls across the

entity, may result in an inability of the auditor to issue an audit opinion or issue an unqualified audit opinion.

Of these, management provided responses to the Audit Office in February 2019 that the following two issues were complete: Audit Issue 1 Journals and Audit Issue 2 Cash. These two audit issues have been remediated for the 2018/19 Financial Year.

The third, Audit Issue 3 Fixed Assets, remains ongoing and management responses included an action plan to remediate these issues in part by 30 June 2019, and where actions were dependent on the implementation of the TechnologyOne project to be fully implemented by 30 June 2020. Successful achievement of these actions should materially reduce the likelihood of misstatement of the accounts.

The most significant residual risk is ensuring that the process to identify and value Land Improvements and Other Assets can be accomplished to the required completeness and accuracy to address audit standards and timeframes for completing the 2018/19 Financial Statements.

The following table provides a Summary of Issues provided by the NSW Audit Office, the Risk Assessment is based on their assessment and management's assessment of current status (April 2019). Progress is reported as either implemented, not implemented or on/off track. The matter resolved (not implemented) refers to a legacy issue that is not cost effective to remediate. Refer to Attachments 3 and 4 for detailed action updates.

Audit Issue	Detail	NSW Audit Office Risk Assessment	Status	Progress
	Financial Audit			
1	Journals	❌ Extreme	Complete	Implemented
2	Cash	❌ Extreme	Complete	Implemented
3	Fixed assets	❌ Extreme	In progress	On-track
4	Contaminated land	❗ High	In progress	On-track
5	Unreconciled bonds and retentions liability (repeat issue)	❗ High	Resolved	Not Implemented
6	Risk Management	❗ High	Complete	Implemented
7	Policies	❗ High	In progress	On-track
8	No fraud & corruption policy	⊖ Moderate	In progress	On-track
9	Lease	⊖ Moderate	In progress	On-track
10	Receivables	⊖ Moderate	In progress	On-track
11	Internal audit	⊖ Moderate	Complete	Implemented
12	LSL provision and limitation to Chris 21 (repeat issue)	⊖ Moderate	In progress	On-track
13	Procurement process (Roads to recovery audit)	⊖ Moderate	Complete	Implemented
14	Lack of support to labour cost charged to capital projects (Roads to recovery)	⊖ Moderate	In progress	On-track

Audit Issue	Detail	NSW Audit Office Risk Assessment	Status	Progress
15	Registry of bonds	✅ Low	In progress	On-track
16	Missing employee records	✅ Low	In progress	On-track
17	Rostered days off provision (repeat issue)	✅ Low	In progress	On-track
18	Sick Leave Provision (repeat issue)	✅ Low	In progress	On-track
19	Pensioner granted rebate on multiple properties (Pensioner concession subsidy audit)	✅ Low	In progress	On-track
	IT Audit			
20	Management and review of user access to systems	❗ High	In progress	On-track
21	Password and Security Configurations	❗ High	In progress	On-track
22	Lack of system change management policies and documentation	❗ High	In progress	On-track
23	General Ledger Migration to TechOne	❗ High	In progress	On-track
24	Lack of IT Security Policies and Governance	➖ Moderate	In progress	On-track
25	Monitoring of high privileged users	➖ Moderate	In progress	On-track
26	Lack of backup policy and disaster recovery plans for systems	➖ Moderate	In progress	On-track
27	Civica password security questions and reset notification	✅ Low	Complete	Implemented

Attachments

1   Attachment 1 - P2020 Project Plan - April 2019 Revision ⇩
2   Attachment 2 - 2016-17 Interim Audit Management Letter - Quarter 4 Updates - Completed Actions ⇩
3   Attachment 3 - Interim 2016 - 17 Interim Audit Management Letter - Quarter 4 Updates - Actions in Progress & Not commenced ⇩
4   Attachment 4 - 2016 - 17 Final Audit Management Letter - Quarter 4 Updates - Completed Actions ⇩
5   Attachment 5 - 2016 - 17 Final Audit Management Letter - Quarter 4 Updates - Actions in Progress & Not Commenced ⇩
6   Attachment 6 - ICAC Open Actions ⇩
7   Attachment 7 - P2020 - Risks ⇩

ATTACHMENT 1
PROJECT 2020 PROJECT PLAN – APRIL 2019 UPDATE

The main changes from the original Project Plan (January 2019) included in the updated Project Plan (April 2019) reflect the completion of the 2017/18 Financial Statements which achieved milestones overall. However, this work consumed more internal resource and time than originally estimated in January (refer original assumptions).

Fortnightly progress reports were reported to the Project Steering Committee and approved changes to the approach and deliverables were agreed between Manager Finance and the Executive.

WBS 1 & WBS 2: Financial Statements (2017/18 and 2018/19) and Asset Management Work-streams

The major driver of changes to the 2017/18 Financial Statements deliverables were due to:

- Lack of progress as at February 2019 on capitalisation and the complexity of completing that work.
- Incomplete reconciliations and working papers for 2017/18.
- Complexity of finalising the reconciliations and working papers across the two systems (Authority & TechnologyOne).
- Increased focus on quality and assurance reviews.

The impacts of the increased workloads to finalise the 2017/18 Financial Statements impacted in both the Finance and Asset Management work streams. As of the 10 April the 2017/18 Financial Statements have been referred to audit and the P2020 Finance and Asset Management Work-streams are now focused on the 2018/19 Financial Year and the resolution of remaining audit issues in line with the overall milestones and objectives of Project 2020.

The updated project plans reflect changes to timelines for:

WBS 1 Finance Work-stream

Office of Local Government revised dates for submission of 2017/18 Financial Statements by 31 May 2019.

NSW audit office have advised the 2018/19 Audit program will commence with resources available in mid-September. This has resulted in changes to the timeframes for reporting and adoption of 2018/19 Financial Statements prior to submission by 31 October 2019 to Office of Local Government (Statutory Deadline).

WBS 2 Asset Management Work-stream – Resolution of the verification and valuation of Land Improvements and Other Structures

- Revised dates due to vendors being unable to provide services in line with original project plan (refer previous assumptions).

- Additional support for 2017/18 & 2018/19 – external consultancy (Daniel Cooper) to assist with reconciliation and development of tools to support asset capitalisation and postings.
- 2018/19 – external resource for TechnologyOne investigating the development of a "TechnologyOne Financial Fixed Asset Register" as an interim solution to replace the Excel Fixed Asset Registers.

For the IT and ELE and Payroll Work-streams work to date has continued in line with the original project plans with the following exceptions:

WBS 3 ELE & Payroll Work-stream

Commenced slightly later due to resources required to implement "Single Touch Payroll". Subsequent to the original plan increased quality assurance has been incorporated into the approach and included:

- *Independent Quality Assurance*

Engagement of external (internal audit) to conduct a review of the corrections to the Employee Leave Entitlements (legacy / audit issues). The brief was to ensure completeness and accuracy of adjustments, and quality of audit working papers. As a result of these reviews an additional consultancy has also been engaged to conduct data analysis of ALL employee leave balances to verify the completeness of the adjustments and identification of any potential misstatements of employee leave entitlements.

- *External Consultancy to verify Employee Leave Entitlements*

In addition to the work completed internally and configured (by external consultants) in the Test databases.

- *Extension of archival of former Chris21 installations*
- *Post Implementation Review of IChris implementation*

This has resulted in a change to the overall milestones for this work stream, however remains in line with the P2020 objectives and overtiming timeframes for completion of the remediation by 30 June 2019.

WBS 4 IT Management Work-stream

Work has commenced and progressed but since the original project plan was documented the NSW Audit Office 2017/18 IT Management Letter has been responded to by Management (draft April 2019). Due to staff changes in IT (the former Manager of IT has moved to a new role within Bayside Council) Mark Cleland has been appointed as Acting Manager IT and project stream lead. As a result of detailed planning the overall milestones have been adjusted to reflect expected timeframes as per responses provided to the audit letter, with dates extending to 31 July 2019.

There are a number of steps required to set-up and initiate this project, refer to Table 2.5.1: Project Initiation.

The Project Schedule in Table 1: Project 2020 Work Breakdown Schedule (WBS) shows the breakdown of the Project into the Four Work Packages:

WBS 1 – Finalise Financial Statements:
- WBS 1.1 Finalise 2017/18 Financial Statements
- WBS 1.1 Finalise 2018/19 Financial Statements

WBS 2 - Address Asset Management Audit Issues
WBS 3 - Address Employee Leave Entitlements and Payroll Audit Issues
WBS 4 - Address IT Audit Issues

Table 1: Project 2020 Work Breakdown Schedule (WBS)* - Revisions April 2019

Revised End Dates have been updated based on information available as at April 2019 – actual and forecast

WBS 1.1 - 2017/18 Financial Statements

WBS 1.1	2017/18 Financial Statements	Responsible Officer	Original Start Date	Original End Date	Actual / Revised End Date
1.1.1	Establish Project 2020 - Financial Statements Team	Director City Performance	14/01/2019	9/02/2019	9/02/2019
1.1.2	Finalise Reconciliations (Monthly and End of Year)	Coordinator Financial Accounting	28/01/2019	1/03/2019	1/03/2019
1.1.3	Action remediation of Audit Disclaimer Issues for 2017/18 Financial Statements	Coordinator Financial Accounting	28/01/2019	1/03/2019	1/03/2019
1.1.4	Action remediation of Audit Management Letter Issues for 2017/18 Financial Statements	Manager Finance	28/01/2019	1/03/2019	1/03/2019
1.1.5	Finalise Trial Balance	Coordinator Financial Accounting	28/01/2019	1/03/2019	1/03/2019
1.1.6	Agree Audit Approach for 2017/18 with Audit Office & receive updated Client Assistant Schedule (CAS)	General Manager	7/01/2019	15/02/2019	15/02/2019
1.1.7	Complete Client Assistance Schedule (CAS) work papers	Coordinator Financial Accounting	28/01/2019	1/03/2019	3/04/2019
1.1.8	Prepare Draft 2017/18 Financial Statements & Finalise Working papers	Coordinator Financial Accounting	14/01/2019	27/03/2019	3/04/2019
1.1.9	Complete Managements Representation Letter	General Manager / Manager Finance (Responsible Accounting Officer)	11/02/2019	10/04/2019	31/05/2019

WBS 1.1	2017/18 Financial Statements	Responsible Officer	Original Start Date	Original End Date	Actual / Revised End Date
1.1.10	Submit Draft 2017/18 Financial Statements & Working papers including Accounting Position Papers to preliminary* Audit	Manager Finance	25/02/2019	4/03/2019	3/04/2019
1.1.11	Receive Draft Audit Client Service Report based on "Preliminary" Draft Accounts	General Manager / Manager Finance (Responsible Accounting Officer)	7/01/2019	21/06/2019	TBD
1.1.12	Report Financial Statements to Risk & Audit Committee (R&AC)	Manager Finance	21/01/2019	28/03/2019	28/03/2019
1.1.13	Report to Council to refer to Audit	Manager Finance	25/02/2019	18/04/2019	10/04/2019
1.1.14	Submit 2017/18 Financial Statements to Audit	Manager Finance	18/04/2019	15/04/2019	15/04/2019
1.1.15	Agree and make audit adjustments	Manager Finance	22/04/2019	28/06/2019	30/05/2019
1.1.16	Finalise 2017/18 Financial Statements & confirm with Audit	Manager Finance	22/04/2019	28/06/2019	30/05/2019
1.1.17	Receive Audit Opinion	General Manager	22/04/2019	28/06/2019	30/05/2019
1.1.18	Report Final Statements (including Adjustments) & Audit Opinion to R&AC	Manager Finance	27/05/2019	10/07/2019	Post May 2019
1.1.19	Report 2017/18 Financial Statements with Auditors Report to Council	Manager Finance	27/06/2019	14/08/2019	Post May 2019
1.1.20	Lodge with OLG	Coordinator Financial Accounting	22/04/2019	14/08/2019	31/05/2019

WBS 1.2 - 2018/19 Financial Statements

WBS 1.2	2018/19 Financial Statements	Responsible Officer	Original Start Date	Original End Date	Actual / Revised End Date
1.2.1	Finalise Reconciliations (Monthly and End of Year)	Coordinator Financial Accounting	1/02/2019	31/07/2019	31/07/2019
1.2.1.1	Finalise Reconciliations - April Month End	Coordinator Financial Accounting	1/02/2019	31/07/2019	14/05/2019
1.2.1.2	Finalise Reconciliations - May Month End	Coordinator Financial Accounting	1/02/2019	31/07/2019	14/06/2019
1.2.1.3	Finalise Reconciliations - June Month / Year End	Coordinator Financial Accounting	1/02/2019	31/07/2019	12/07/2019
1.2.1.4	Finalise Notes to the Accounts, Working Papers, CAS, & Analytical Review	Coordinator Financial Accounting	1/02/2019	31/07/2019	2/08/2019
1.2.1.5.1	Quality Review Stage 1: Notes and Working Papers with Analytical Review	Manager Finance	1/02/2019	31/07/2019	9/08/2019
1.2.1.5.2	Quality Review Stage 2: Notes and Working Papers with Analytical Review	Manager Finance	1/02/2019	31/07/2019	16/08/2019
1.2.2	Action remediation of Audit Disclaimer Issues for 2018/19 Financial Statements	Coordinator Financial Accounting	4/02/2019	30/06/2019	30/06/2019
1.2.3	Action remediation of Audit Management Letter Issues for 2018/19 Financial Statements	Finance Manager	4/02/2019	31/05/2019	31/07/2019
1.2.4	Finalise Trial Balance	Coordinator Financial Accounting	1/06/2019	9/08/2019	16/08/2019
1.2.5	Complete Client Assistance Schedule (CAS) work papers	Coordinator Financial Accounting	1/06/2019	9/08/2019	16/08/2019
1.2.6	Complete changes to Accounting Standard work papers	Coordinator Financial Accounting	1/06/2019	9/08/2019	16/08/2019
1.2.7	Prepare Draft 2018/19 Financial Statements & Finalise Work Papers	Coordinator Financial Accounting	1/06/2019	23/08/2019	16/08/2019

WBS 1.2	2018/19 Financial Statements	Responsible Officer	Original Start Date	Original End Date	Actual / Revised End Date
1.2.8	Approve Draft 2018/19 Financial Statements & Finalise Work Papers	Manager Finance (Responsible Accounting Officer)	23/08/2019	23/08/2019	23/08/2019
1.2.9	Complete Managements Representation Letter	General Manager / Manager Finance (Responsible Accounting Officer)	1/07/2019	27/09/2019	24/10/2019
1.2.10	Agree and make audit adjustments	Manager Finance	23/08/2019	11/09/2019	29/10/2019
1.2.11	Finalise 2018/19 Financial Statements & confirm with Audit	Manager Finance	23/08/2019	11/09/2019	29/10/2019
1.2.12	Report Financial Statements to Risk & Audit Committee (R&AC)	Manager Finance	30/07/2019	26/09/2019	24/10/2019
1.2.15	Report to Council to refer to Audit	Manager Finance	23/09/2019	9/10/2019	30/10/2019
1.2.16	Council refers the 2018/19 Financial Statements to Audit	Manager Finance	14/10/2019	14/10/2019	31/10/2019
1.2.17	Receive Audit Opinion	General Manager	23/09/2019	18/10/2019	31/10/2019
1.2.18	Report Final Statements (including Adjustments) & Audit Opinion to R&AC - Final changes circulated out of session (TBC)	Manager Finance	7/10/2019	31/10/2019	28/11/2019
1.2.19	Report 2018/19 Financial Statements with Auditors Report to Council	Manager Finance	28/10/2019	13/11/2019	13/11/2019
1.2.20	Lodge with OLG	Coordinator Financial Accounting	18/10/2019	31/10/2019	31/10/2019

WBS 2 Asset Management Work-stream

WBS 2	Asset Management	Responsible Officer	Original Start Date	Original End Date	Actual / Revised End Date
2.1	Establish Project 2020 – Asset Management Audit Issue Team	Director City Futures	14/01/2019	9/02/2019	9/02/2019
2.2	Engage Business Owners for each Asset class	Project Lead	14/01/2019	9/02/2019	9/02/2019
2.3	Review, document and / or update for each asset class the following:	Project Lead + Project Team with Manager Strategic Planning	9/02/2019	30/04/2019	15/06/2019
2.3.1	Asset and Capital Asset Policies (if required), Accounting treatments, and business process and controls	Project Lead + Project Team with Manager Strategic Planning	9/02/2019	30/04/2019	15/06/2019
2.3.2	Report to Internal Strategic Asset Committee	Project Lead + Project Team with Manager Strategic Planning	9/02/2019	30/04/2019	15/06/2019
2.3.3	Report to R&AC	Project Lead + Project Team with Manager Strategic Planning	9/02/2019	30/04/2019	15/06/2019
2.4	Verify and action completeness of Asset Registers (excluding Land Improvements & Other Assets – refer item 2.5 and 2.6)	Project Lead + Project Team with Business Asset Owners	9/02/2019	30/06/2019	15/06/2019
2.5	Scope and engage independent consultant/s to conduct verification and valuation of Land Improvements and Other Structures.	Project Lead	27/01/2019	1/03/2019	1/03/2019
2.6	Complete valuation process (Land Improvements & Open Space) and update asset descriptions, condition assessments, useful life, and valuations, impairment	Project Lead / Manager Strategic Planning	1/03/2019	30/06/2019	15/08/2019
2.7	Identify assets to be capitalised for prior periods: pre 2017/18 and 2017/18 (prior period adjustments), and 2018/19 financial year	Project Managers – Strategic Planning, Property, City Infrastructure & Major Projects	9/02/2019	30/06/2019	12/07/2019

WBS 2		Asset Management	Responsible Officer	Original Start Date	Original End Date	Actual / Revised End Date
2.8		Identify assets disposed of for prior periods: pre 2017/18 and 2017/18 (prior period adjustments), and 2018/19 financial year.	Project Managers – Strategic Planning, Property, City Infrastructure & Major Projects	9/02/2019	31/07/2019	12/07/2019
2.9		Update Asset Registers and prepare Accounting Journals for ALL Financial Years: including Prior Period Adjustments for pre 2017/18, 2017/18 and 2018/19. Prepare any financial disclosures.	Financial Accountant / Coordinator Financial Accounting	9/02/2019	31/07/2019	31/07/2019
2.1		Post Journals, Finalise Reconciliations and Work Papers	Financial Accountant / Coordinator Financial Accounting	1/03/2019	31/07/2019	31/07/2019
2.11		Submit to Audit for Sign-off	Manager Finance / Manager Strategic Planning	1/04/2019	31/07/2019	23/08/2019

WBS 3 Employee Leave Entitlements & Payroll

WBS 3	Employee Leave Entitlements & Payroll	Responsible Officer	Original Start Date	Original End Date	Actual / Revised End Date
3.1	Establish Project 2020 – Employee Leave & Payroll Issue Team	Manager POC / Project Manager	14/01/2019	9/02/2019	9/02/2019
3.2	Action Client Service Report audit issues with supporting evidence for audit	Manager POC / Coordinator Payroll	9/02/2019	31/03/2019	12/05/2019
3.3	Action Audit Management Letter issues with supporting evidence for audit	Manager POC / Coordinator Payroll	9/02/2019	31/03/2019	12/05/2019
3.4	Review Labour Establishment (refer to Dependency with Budget Process for 2018/19 and 2019/20).	Coordinator Payroll / Acting FP&A Coordinator	9/02/2019	31/03/2019	12/05/2019

WBS 3	Employee Leave Entitlements & Payroll	Responsible Officer	Original Start Date	Original End Date	Actual / Revised End Date
3.5	Document Accounting Position Paper outlining correction process with supporting documentation for Payroll Corrections: · Update 2018/19 Costings. · Correct 2018/19 Costings in General Ledger. · Update ELE costing adjustments for 2018/19.	Coordinator Payroll / Coordinator Financial Services / Coordinator FP&A / Manager POC / Manager Finance	9/02/2019	31/03/2019	12/05/2019
3.6	Conduct detailed employee review of Employee Leave Balances and verify for completeness and identify any corrections required: · Categorise employee leave type issues. · Categories affected employee types and individuals affected. · Quantify impact. · Document Accounting Position Paper outlining correction process with supporting documentation for Payroll corrections.	Coordinator Payroll	9/02/2019	31/03/2019	12/05/2019
3.6.1	Submit to Interim Audit for Sign-off - 2018/19 ELE's Adjustment	Coordinator Payroll / Manager POC / Manager Finance			15/07/2019
3.7	Ichris Post Implementation Review	Coordinator Payroll	25/03/2019		31/05/2019
3.7.1	Specify ELE and Payroll Reports and develop	Coordinator Payroll	9/02/2019	31/03/2019	30/06/2019
3.8.1	Review internal controls - Test audit trails and reports on payroll. Document the Business Process and Controls.	Coordinator Payroll	9/02/2019	31/03/2019	30/06/2019
3.9	Post Journals, Finalise Reconciliations and Work Papers	Coordinator Payroll / Coordinator Financial Services	1/03/2019	31/07/2019	12/07/2019
3.10	Submit to Audit for Sign-off - 2018/19 ELE's	Coordinator Payroll / Manager POC / Manager Finance	1/04/2019	31/07/2019	31/07/2019

WBS 4 – IT Management

WBS 4	IT Management	Responsible Officer	Original Start Date	Original End Date	Actual / Revised End Date
4.1	Establish Project 2020 – IT Audit Issue Team	Manager IT / Project Manager	14/01/2019	9/02/2019	9/02/2019
4.2	Action Client Service Report audit issues with supporting evidence for audit	Various: Manager IT, Coordinator Applications, Manager Finance, Manager POC	9/02/2019	30/04/2019	31/07/2019
4.3	Action Audit Management Letter issues with supporting evidence for audit	Various: Manager IT, Coordinator Applications, Manager Finance, Manager POC	9/02/2019	30/04/2019	31/07/2019
4.4	Conduct tests to verify results of internal controls embedded + prove controls over systems (detection controls)	Various: Manager IT, Coordinator Applications, Manager Finance, Manager POC	9/02/2019	30/04/2019	31/07/2019
4.5	Implement change management controls across all IT systems to ensure that the internal control framework is maintained	Manager IT / Coordinator Applications	9/02/2019	28/02/2019	30/06/2019
4.6	Identify new Projects and / or system upgrades / implementations that will require Governance and Finance inputs to ensure that the process is implemented with audit verification	Manager IT	9/02/2019	30/06/2019	30/06/2019
4.7.1	2016/17 to 2017/18 ie opening balances - Provide a Reconciliation report for the Data Migration of E1 to TechOne.	Coordinator Applications	9/02/2019	28/02/2019	28/02/2019
4.7.2	2017/18 System Changes & 2018/19 System Changes - Provide a Reconciliation report for the Data Migration of Authority Property System to Pathway Property Systems.	Coordinator Applications	9/02/2019	28/02/2019	30/06/2019
4.8	Submit Working papers to Audit for Sign-off.	Manager IT	9/02/2019	30/06/2019	30/06/2019

Bayside Council
2016/17 Interim Audit Management Letter for year ended 30 June 2017
Action Plan - April 2019 - Progress Report - Actions Completed
Risk and Audit Committee Report Update - May 2019

Audit Issue	Audit Recommendation	Code	Action ID	Responsible Officer	Status	Progress	Status
ISS19: Underground Fuel storage tanks at Bexley Depot	ISS19.3: A review should be undertaken to determine if the underground tanks are still required by the Council	IS19.3.1	Explanation provided to Audit	Michael McCabe	Completed	NFR - Complete per status report Nov 2018	Completed
ISS1: Accounts Payable	ISS1.1: Appropriate segregation of duties should be designed and implemented over the procurements/payables function.	ISS1.1.1	Update Techone Access to segregate the system accesses and users in Procurement (set up and maintain vendor files) from Accounts Payable (make payments).	Mark Cleland	Completed	NFR Completed as per status report November 2018	Completed
ISS1: Accounts Payable	ISS1.2: System access should be restricted based on appropriate segregation of duties.	ISS1.2.1	Update Techone Access to segregate the system accesses and users in Procurement (set up and maintain vendor files) from Accounts Payable (make payments).	Mark Cleland	Completed	NFR Completed as per status report November 2018	Completed
ISS1: Accounts Payable	ISS1.3: Audit reports or logs over vendor master file changes should be maintained and reviewed by an officer independent of the process	ISS1.3.1	Update Techone Access to segregate the system accesses and users in Procurement (set up and maintain vendor files) from Accounts Payable (make payments).	Michael Mamo	Completed	NFR Completed as per status report November 2018	Completed
ISS11: Grants & Contributions	ISS11.1: A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by management	ISS11.1.1	Reconcilie Grants and Contributions for Bayside Council for year ended 30 June 2017	Matthew Walker	Completed	Validation Report by Internal Audit (BDO): Completed. The 2016-17 grants and contributions have been reconciled at year end.	Completed
ISS14: Approval of Journals	ISS14.1: The accounting system should be modified to ensure that journal entries cannot be made without being reviewed by an independent senior officer.	ISS14.1.1	Update Techone Access to restrict input of Journals to Accountants, Coordinators, and Manager Finance	Mark Cleland	Completed	NFR Completed as per status report November 2018	Completed
ISS14: Approval of Journals	ISS14.2: Evidence of this review should be captured and documented.	ISS14.2.1	1. Coordinator Financial Reporting create and implement Journal templates (including staff trained) 2. Review Journals and verify the signatures approving are in accordance with the agreed Delegations	Matthew Walker	Completed	NFR - Complete. TechOne System has been modified to make attachment of workpapers substantiating the journal as mandatory and a workflow approval process.	Completed
ISS14: Approval of Journals	ISS14.3: 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.	ISS14.3.1	1. Coordinator Financial Reporting create and implement Journal templates (including staff trained) 2. Review Journals and verify the signatures approving are in accordance with the agreed Delegations	Matthew Walker	Completed	NFR Completed as per status report November 2018	Completed
ISS14: Approval of Journals	ISS14.4: 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.	ISS14.4.1	Coordinator Financial Accounting to conduct a review of all journal entries made during the period 9/9/16 to 30/6/17 to ensure each jnl has been approved by a more senior officer than the poster to ensure that they are appropriate; and agreed to past & proposed delegations.	Matthew Walker	Completed	NFR Completed as per status report November 2018	Completed

1 of 5

Audit Issue	Audit Recommendation	Code	Action ID	Responsible Officer	Status	Progress	Status
ISS15: Review of accruals and provisions for bad and doubtful debts	ISS15.1: Management should review accruals and provisions estimates regularly	ISS15.1.1	Coordinator Rates and Revenue - Conduct a monthly review of Debtors and identify actions for credit management Coordinator Financial Reporting - Include Monthly Reconciliations of the Debtors Credit Management Review and Provisioning of Bad and Doubtful Debts in the Month End Checklist and business procedures Project Manager Business Process and Controls - Document Business Process and Controls for Credit Management and provisioning bad and doubtful debts	Matthew Walker	Completed	Validation Report by Internal Audit (BDO): Completed. The 2016/17 provision for bad and doubtful debts was approved by management.	Completed
ISS15: Review of accruals and provisions for bad and doubtful debts	ISS15.1: Management should review accruals and provisions estimates regularly	ISS15.1.2	Manager Finance - Review Aged Trial Balance and credit management practices and the Provision for Doubful Debts Quarterly (evidenced in Finance Month End Process) Co-ordinator Financial Reporting - Included Finance Manager's Monthly review of Detailed Grants Register in Finance Month End Checklist	Matthew Walker	Completed	Validation Report by Internal Audit (BDO): Completed. The 2017/18 provision for bad and doubtful debts was approved by management.	Completed
ISS18: Rental System (REST)	ISS18.1: The Finance team should have access to the REST system.	ISS18.1.1	Co-ordinator Financial Reporting - Review Monthly REST to TECH1 Reconciliation (Nov-17, Dec-17, Jan-18, Feb-18, Mar-18, Apr-18, May-18, Jun-18, and monthly thereafter) Co-ordinator Financial Reporting - Included Property Manager's preparation of REST to TECH1 Reconciliation and Finance Co-ordinators review of the Reconciliation Project Manager Business Process and Controls - Document the Business Process and Controls for the Monthlyu Reconciliation of the REST to TECH1	Samantha Urquhart	Completed	Validation Report by Internal Audit (BDO): Completed. The Revenue Officer is provided with enquiry only access to the REST system.	Completed
ISS18: Rental System (REST)	ISS18.3: A review should be conducted to ensure the Council is correctly billing the rents it is entitled to	ISS18.3.1	Co-ordinator Financial Reporting - Review Monthly REST to TECH1 Reconciliation (Nov-17, Dec-17, Jan-18, Feb-18, Mar-18, Apr-18, May-18, Jun-18, and monthly thereafter) Co-ordinator Financial Reporting - Included Property Manager's preparation of REST to TECH1 Reconciliation and Finance Co-ordinators review of the Reconciliation Project Manager Business Process and Controls - Document the Business Process and Controls for the Monthly Reconciliation of the REST to TECH1	Matthew Walker	Completed	Validation Report by Internal Audit (BDO): 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.	Completed
ISS19: Underground Fuel storage tanks at Bexley Depot	ISS19.1: A consultant should be employed to determine whether or not the tanks are leaking	ISS19.1.1	Engage consultant and review recommendations - implement as required	Michael McCabe	Completed	NFR Completed as per status report November 2018	Completed
ISS19: Underground Fuel storage tanks at Bexley Depot	ISS19.2: 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	ISS19.2.1	Engage consultant and review recommendations - implement as required	Michael McCabe	Completed	NFR Completed as per status report November 2018	Completed
ISS19: Underground Fuel storage tanks at Bexley Depot	ISS19.4: 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.	ISS19.4.1	1. Manager Plant & Fleet - conduct review to ensure compliance with documented process 2. Internal Auditor review Manager Plant & Fleets self assessment 3. Manager Plant & Fleet - ensure corrective actions are implemeneted within 1 week of non-compliance being identified	Michael McCabe	Completed	NFR Completed as per status report November 2018	Completed

Audit Issue	Audit Recommendation	Code	Action ID	Responsible Officer	Status	Progress	Status
ISS20: Stocktaking Processes	ISS20.1: Any variances identified during stocktakes should be investigated and resolved in a timely manner.	ISS20.1.1	Stocktake variances analyssed and resolved	Michael McCabe	Completed	Validation by Internal Audit (BDO): Completed. Stock variances will be resolved on the day of stocktake.	Completed
ISS20: Stocktaking Processes	ISS20.2: The draft Stores Management Manual should be reviewed and updated to require more frequent stocktakes for items subject to theft or loss.	ISS20.2.1	TechOne System Inventroy Management module implemented and weeky fuel checks in place	Michael Mamo	Completed	Validation comment by Internal Audit (BDO):Completed. The stocktake process is documented in the Inventory Management Process and Operational Procedures.	Completed
ISS20: Stocktaking Processes	ISS20.3: Duplicated stock number should be removed to increase the overall efficiency of the stocktake.	ISS20.3.1	Stocktake completed and adjustments processed in TechOne	Michael Mamo	Completed	Validation Comment by Internal Audit (BDO): Completed. The stocktake process is documented in the Inventory Management Process and Operational Procedures.	Completed
ISS2: Review of user access rights	ISS2.1: Management should regularly review user access rights. The review should include validating that user access rights correspond with the current job responsibilities and support adequate segregation of duties	ISS2.1.2	PMO Project Manager - Develop and document the business process and controls for Onboarding and Off-boarding processes.	Kristina Forsberg	Completed	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.	Completed
ISS2: Review of user access rights	ISS2.1: Management should regularly review user access rights. The review should include validating that user access rights correspond with the current job responsibilities and support adequate segregation of duties	ISS2.1.3	Governance Manager to conduct quarterly review of compliance with delegations.	Fausto Sut	Completed	Completed. System and security to be aligned to roles and responsibilities. Reviews ongoing and quarterly review to be embedded in 2018/19, September 2018 Quarter review completed by Governance & IT.	Completed
ISS3: Payroll	ISS3.1: Appropriate segregation of duties should be designed and implemented over the HR/Payroll function.	ISS3.1.1	Update Chris 21 payroll staff's system access to limit to payment; and POC staff access to maintaining employee record	Kristina Forsberg	Completed	Validation Report by Internal Audit (BDO): 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. Apr-19 The Payroll coordinator is no longer able to create a employee in the system. The payroll coordinator must be able to process payroll. However, the Manager POC review the weekly Audit reports.	Completed
ISS3: Payroll	ISS3.3: Audit reports or logs over Payroll master file changes should be maintained and reviewed by an officer independent of the process.	ISS3.3.1	Update Chris 21 payroll staff's system access to limit to payment; and POC staff access to maintaining employee record	Kristina Forsberg	Completed	Validation Report by Internal Audit (BDO): 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.	Completed

Audit Issue	Audit Recommendation	Code	Action ID	Responsible Officer	Status	Progress	Status
ISS3: Payroll	ISS3.4: Evidence of this review should be maintained as a record	ISS3.4.1	Payroll Coordinator to store Weekly Pay Audit Report records in Trim and to evidence review Payroll Coordinator identifies and takes corrective action on unusual / non compliant audit file entries Internal Auditor to spot check / verify compliance and that corrective actions have been taken and appropriately reported up to Mgr POC & Mgr Finance	Kristina Forsberg	Completed	Validation Report by Internal Audit (BDO): 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)	Completed
ISS4: Lack of complete contract register	ISS4.1: Management should implement a complete centralised contract register for the whole Council	ISS4.1.2	Process mapping is also currently being undertaken to ensure that all roles and responsibilities are clear. BNG, a credentials checking agency, has also been engage to audit and certify WHS and other compliance requirements for contractors. All the recommended information is included in the data collected and the fields provided in TechOne.	Michael Mamo	Completed	Validation Report by Internal Audit (BDO): 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.	Completed
ISS4: Lack of complete contract register	ISS4.1: Management should implement a complete centralised contract register for the whole Council	ISS4.1.3	Engage BNG, a credentials checking agency, to audit and certify WHS and other compliance requirements for contractors. Review and redress any non-compliance identified by BNG within 2 weeks and / or immediately if risk assessment critical.	Michael Mamo	Completed	Validation Report by Internal Audit (BDO): 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).	Completed
ISS5: Accounting procedures manual	ISS5.2: Procedures should be designed to ensure that there are adequate internal controls including segregation of duties	ISS5.2.1	Implement Project Ricochet to develop business proces and controls framework to develop Business processes, document internal controls, and train and embed processes into the new Bayside Council - for Accounting Business process & internal controls / Procedures.	Matthew Walker	Completed	Validation Report by Internal Audit (BDO): 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.	Completed
ISS7: Investments	ISS7.3: Review cashflow needs of the Council to ensure that they line up with investments made	ISS7.3.1	Align LTFP with Investment Strategy for 2017/18 IP&R	Matthew Walker	Completed	Validation Report by Internal Audit (BDO): Completed. The investment procedures include the requirement for cash flow analysis as part of investment decisions.	Completed
ISS7: Investments	ISS7.4: Review investment performance	ISS7.4.1	Monthly Investment Performance monitored and reported to Director City Performance; and Monthly Council report on Investments submitted by end of month following	Matthew Walker	Completed	NFR Completed as per status report November 2018	Completed
ISS7: Investments	ISS7.5: Review and approve new investments	ISS7.5.1	Manager Finance - to review and sign off Investments Reconciliation and Investment report that investments have met and / or complied with all limits	Matthew Walker	Completed	NFR Completed as per status report November 2018	Completed
ISS8: Review of reconciliations	ISS8.2: Reconciling items should be addressed on a timely basis.	ISS8.2.1	1. Coordinator Financial Reporting to prepare Monthly report to monitor list of Monthly Reconciliation Adjustments and Age of unreconciled amounts. 2. Schedule Monthly Meetings between Director City Performance, Manager Finance and Coordinator Financial Reporting to discuss Reconciliations.	Matthew Walker	Completed	Completed. Month end procedure implemented in 2018/19 from September 2018/19 onward. A Control Sheet for reconciliations has been implemented and Director of City Performance and Finance Manager monthly reviews implemented to embed and drive the completeness, quality and timeliness of reconciliations to improve the integrity of the financial reporting for decision making. Focus in 2018/19 to embed process, quality and controls.	Completed

Audit Issue	Audit Recommendation	Code	Action ID	Responsible Officer	Status	Progress	Status
ISS8: Review of reconciliations	ISS8.2: Reconciling items should be addressed on a timely basis.	ISS8.3.1	Gain approval and implement an update Delegations Manual to include Approve General Ledger Adjustments as a specific delegation & issue new delegations to Finance staff	Matthew Walker	Completed	Completed. Decision not to implement this action as there is no "financial" delegation required for posting journals. Audit recommendation "Reconciling items should be addressed on a timely basis" has been addressed by the implementation of Month end procedures and journal approval processes implemented for 2018/19. No financial delegations required, journals are in accordance with Finance Roles and Responsibilities. All journals are now subject to a line supervisor review by Coordinators, with Coordinators journals reviewed by the Manager Finance. Monthly reviews in progress to embed quality and controls in 2018/19.	Completed

Item 5.1 – Attachment 2   38

Bayside Council
2016/17 Interim Audit Management Letter for year ended 30 June 2017
Action Plan - April 2019 - Progress Report - In Progress / Not Commenced
Risk and Audit Committee Report Update - May 2019

Audit Issue	Audit Recommendation	Code	Action ID	Responsible Officer	Status	Progress	Status
ISS1: Accounts Payable	ISS1.4: Evidence of this review should be maintained as a record.	ISS1.4.1	Internal Auditor to conduct monthly reviews and maintain a summary of results / evidence of review	Fausto Sut	Not Started	Not Started. Scoping to be undertaken as to approach and action plan to be developed in Q4	Not Started
ISS1: Accounts Payable	ISS1.4: Evidence of this review should be maintained as a record.	ISS1.4.2	Map Accounts Payable Business Process & Internal controls, document and implemented agreed process with Finance Manager	Fausto Sut	In Progress	Action plan to be developed in 2018/10 Q4	In Progress
ISS11: Grants & Contributions	ISS11.1: A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by management	ISS11.1.2	Coordinator Rates & Revenue - Prepare Monthly Reconciliations of the Grants and Contibutions Coordinator Financial Reporting - Include Monthly Reconciliations of the Grants and Contributions in the Month End Checklist and business procedures	Matthew Walker	In Progress	The reconciliation for 2017-18 has been completed yet as part of the financial report for 2017-18 in February 2019. The 2018/19 registers are being brought up to date incorporating the 2017/18 closing reconciliation. The 2018/19 Month End process continues to be embedded.	In Progress
ISS11: Grants & Contributions	ISS11.1: A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by management	ISS11.1.3	Co-ordinator Rates & Revenue - Develop and implement a centralised grants and contributions register showing approvals and aqquitals Project Manager Business Process and Controls - Facilitate and develop, document, and implement an end-to-end business process and controls for Grants Management	Matthew Walker	In Progress	On Track. Current focus to embed process for 2018/19. The 2016/17 Financial year end completed the 2017/18 completed and subject to audit. A consolidated grants register is being developed ad being updated for 2018/19.	In Progress
ISS11: Grants & Contributions	ISS11.1: A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by management	ISS11.1.4	Manager Finance - Review Monthly Grants Movement Register (Nov-17, Dec-17, Jan-18, Feb-18, Mar-18, Apr-18, May-18, Jun-18, and monthly thereafter) Co-ordinator Financial Reporting - Included Finance Manager's Monthly review of Detailed Grants Register in Finance Month End Checklist	Matthew Walker	In Progress	2017/18 Grants register finalised and rolled over to the 2018/19 financial year. Progressing the reconciliation of movements for 2018/19 and embedding in the month end process.	Not Started
ISS18: Rental System (REST)	ISS18.2: Considerations should be given to integrating the REST system with the Finance system.	ISS18.2.1	Manager Property & Manager Finance - Develop business requirements for new system Manager Property - Develop scope and business case for IMT Steering Com & Exec approval	Samantha Urquhart	In Progress	Business case for new Property Management System has been approved and will be implemented in 2019.	In Progress

Audit Issue	Audit Recommendation	Code	Action ID	Responsible Officer	Status	Progress	Status
ISS2: Review of user access rights	ISS2.1: Management should regularly review user access rights. The review should include validating that user access rights correspond with the current job responsibilities and support adequate segregation of duties	ISS2.1.1	Receive Lanlaus Consulting report into authorisation limits and accesses and the TechOne system access. Implement agreed and required changes for segregation of duties and control limits - TechOne, Chris 21, and Authority systems.	Mark Cleland	Completed	Superseded by NSW Audit Management Letter for Year Ended 30 June 2017(2016/17) and IT Management Letter for year ended 30 June 2018 (2017/18). Refer to Recommendation 1718-IT-R-1.1 and Action 1718-IT-A1.1.1 and Recommendation 1617-FIN-R-20.2 and Action 1617-FIN-A-20.2.1. Report from Lanlaus was received and referred to the Post Implementation Review of TechnologyOne. The 2019/20 TechnologyOne project will review securities and TechnologyOne system access. Chris 21 systems have been replaced by IChris from 24 June 2017 and a post implementation review of IChris is currently in progress (April 2019).	In Progress
ISS3: Payroll	ISS3.2: System access should be restricted based on appropriate segregation of duties.	ISS3.2.1	Update Chris 21 payroll staff's system access to limit to payment; and POC staff access to maintaining employee record	Mark Cleland	Completed	Resolved. Chris 21 legacy systems have been decommission and replaced by IChris in 2018/19. Payroll staff system access has been restricted and is being reviewed as part of the IChris Post Implementation Review. IT are also implementing new processes and change controls to manage user access.	In Progress
ISS3: Payroll	ISS3.5: Attendance records should be kept to document whether staff were at work. These records should be compared to leave recorded to ensure all leave taken is recorded	ISS3.5.1	Payroll Coordinator to educate Supervisors and Managers in the correct process Payroll Coordinator to review and monitor compliance with the process and record non-compliances for corrective action Payroll Coordinator implement electronic time and attendance records	Kristina Forsberg	In Progress	A weekly leave planner is completed weekly by the Business Unit Manager sent to payroll who verifies that the correct leave form has been received and processed in iCHRIS. HR21 is not a time and attendance system, it will provide the adequate controls for leave taken by staff. Due to the 2020 project the implementation of HR 21 had to be postponed the estimated implementation is from August 2019 to December 2019.	In Progress
ISS4: Lack of complete contract register	ISS4.1: Management should implement a complete centralised contract register for the whole Council	ISS4.1.1	Document the Business Process and Controls for the Council's Contracts Management. Procurement Manager to conduct Monthly reviews of Contracts of emerging and new contracts, and upcoming ending / terminating contracts, and or renewals.	Frank Tambosis	In Progress	Business Process and Controls were approved in December 2019 and continue to be embedded. Procurement are conducting monthly reviews of data and ongoing awareness and education.	In Progress
ISS4: Lack of complete contract register	ISS4.1: Management should implement a complete centralised contract register for the whole Council	ISS4.1.4	Configure TechOne to include the following fields: • 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	Frank Tambosis	In Progress	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.	In Progress

Audit Issue	Audit Recommendation	Code	Action ID	Responsible Officer	Status	Progress	Status
ISS5: Accounting procedures manual	ISS5.1: An Accounting Procedures Manual should be developed for the Council	ISS5.1.1	Implement Project Ricochet to develop business proces and controls framework to develop Business processes, document internal controls, and train and embed processes into the new Bayside Council.	Matthew Walker	In Progress	Partially Completed. BDO review in Quarter 2 found Core procedures for ICAC have been completed, but Council had not completed a formal accounting manual related to AG recommendations. The Business Processes and Controls are being made available on Council's intranet (May 2019) and focus continues to embed the business processes. The finance team will work to consolidate accounting practices into this central repository.	In Progress
ISS7: Investments	ISS7.1: Due to the size of the Council's Investment portfolio an investment committee should be established	ISS7.1.1	Establish a Charter for Investment Committee by 15/2/18 Convene an Investment Committee by 31/3/18	Matthew Walker	In Progress	An investment process has been reviewed and implemented. However, no final decision have been made on the establishment of the investment committee. An Investment Policy draft has been prepared and will be reported for adoption in May to June 2019. Council is also seeking the services of and Investment Advisor to develop Council's Investment Strategy with an RFQ prepared to go to market in May - June 2019.	In Progress
ISS7: Investments	ISS7.2: Set investment strategies including the terms of investments	ISS7.2.1.	Adopt Bayside Investment Strategy (with development of an independent advisor)& Policy during the 2017/18 IP&R Long Term Financial Strategy	Matthew Walker	In Progress	A Draft Investment Policy has been prepared and a business case to initiate a procurement process for the appointment of a new Investment Advisor. The timeframe for appointment of the investment advisor and the development of the Investment Strategy has been extended to 30/06/2019 to align with the development of the new 2019/20 Budget and updates to the Long Term Financial Plan which will take into account the emerging changes to the LEP.	In Progress
ISS8: Review of reconciliations	ISS8.1: An officer independent of the preparer should review general ledger reconciliations every month	ISS8.1.1	1. Coordinator Financial Reporting prepare a Checklist and Month End process to allocate and monitor completeness and quality of reconciliations. 2. Coordinator Financial Reporting create and implement a TRIM folder for storing all Daily, Weekly (or other), and Monthly Reconciliations	Matthew Walker	In Progress	Monthly checklists and controls sheets have been implemented and monthly reconciliations are copied into a PDF format once approved. This process continues to be embedded and was negatively impacted by resourcing due to staff leave in January 2019, and focus on the 2019/20 budget (January-April 2019) and the finalisation of the 2017/18 Financial Statements (January-April 2019). Focus for April to July is to complete processes and reviews on a monthly basis.	In Progress
ISS9: Fixed Assets	ISS9.1: Depreciation should be charged on a monthly basis	ISS9.1.1	1. Coordinator Financial Accounting to update Finance Month End Checklist and procedures to include monthly depreciation posting 2. Fixed Asset Accountant - post Depreciation Journal monthly for 2017/18 on a monthly basis 3. Coordinator Assets and Coordinator Financial Reporting identify and document the process to post monthly depreciation by 30/11/17	Matthew Walker	Not Started	Not started. 2016/17, 2017/18 and 2018/19 depreciation is posted once for the year. Options will be considered in 2019/20 as part of the TechnologyOne Project to redesign the Asset Management Fixed Asset Systems for implementation in June 2020.	Not Started

Item 5.1 – Attachment 3   41

Audit Issue	Audit Recommendation	Code	Action ID	Responsible Officer	Status	Progress	Status
ISS9: Fixed Assets	ISS9.2: WIP should be capitalized as it is incurred.	ISS9.2.2	Coordinator Financial Reporting - Capitalise 2017/18 WIP monthly from Dec 31	Matthew Walker	Completed	Superseded: Action marked as complete with no further report. Replaced by the recommendations in the NSW Audit Management Letter for year ended 30 June 2017. Refer to 2016/17 Financial Statements final audit). Refer to Recommendation 1617-FIN-R-3.3 and Action 1617-FIN-A-3.3.1 This action was not able to be implemented in the original timeframes and is now being implemented as part of the reimplementation of the TechnologyOne asset and fixed asset systems to be implemented by 30 June 2019. Interim processes will be implemented in 2019/20.	Not Started

Bayside Council
2016/17 Management Letter (final) for year ended 30 June 2017
Action Plan - April 2019 - Progress Report - Actions COMPLETED
Risk and Audit Committee Report Update - May 2019

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
1: Journals	R-1.1: Internal controls over journals should be redesigned to include segregation of duties, improved record keeping, reviews, and restricted to appropriately qualified and trained staff.	A-1.1.1	Journal controls implemented in TechnologyOne for 2018/19 including workflow approvals and mandatory attachment of working papers. Appropriate accounting staff create journals which are then signed off by their supervisor.	Matthew Walker	Completed	Controls over posting of Journals in TechnologyOne were implemented in July 2018 including system based workflows to automate the escalation for review and approval to line managers and to mandate the attachment of supporting Working Papers for all Journals.
1: Journals	R-1.2: A program of internal audits should be implemented covering all financial systems in a 3 year cycle.	A-1.2.1	Implement a program of internal audits covering all financial systems in a 3 year cycle.	Fausto Sut	Completed	Internal Audit has developed a three year audit plan and has financial processes scheduled in for those three periods. It is IA's intention to audit all different financial business areas in the upcoming 3 year plan.
2: Cash	R-2.1: Monhtly Bank Reconciliations to be signed off by management wtih reconciling items other than unpresened cheques or outstanding deposits should be corrected within one month and before finalisation of the year end bank reconciliation.	A-2.1.1	Implement and embed a Bank Reconciliation Business Process for bank reconciliations to be completed daily and a monthly reconciliation to be reviewed by the Coordinator Financial Services with a control over reconciliations being reported on by the Coordinator Financial Accounting and a monthly meeting with the Manager Finance.	Matthew Walker	Completed	Daily bank reconciliation and monthly reconciliation process implemented in 2018/19 with ongoing monthly reviews by Coordinator Financial Services and progress reported on monthly by the Coordinator Financial Accounting to the Manager Finance.
2: Cash	R-2.2: 2016/17 Restricted cash balances to be adopted by Council resolution.	A-2.2.1	Report 2016/17 Restricted Cash Balances to Council for adoption in Feb-19.	Matthew Walker	Completed	Council resolved the reserve (restricted) balances as at the 30 June 2017 during the adoption of the 2016/17 Financial Statements at the February 2019 Council Meeting. These balances form the basis of the opening balances for the 2017/18 Financial Statements.
4: Contaminated Land	R-4.2: Management should monitor all contaminated land sites to ensure that contamination is not spreading offsite and ensure that the remediation provision is sufficient.	A-4.2.2	Currently Council has identified 1 site (Kendall Street) as contaminated which was accounted for in the 2016/17 Financial Statements. An updated site report has been received and remediation and monitoring will be based on this and updated in the 2017/18 Financial Statements.	Clare Harley	Completed	All identified (1) contaminated sites were included in the 2016/17 Financial Statements and the final remediation and monitoring plan has been received and implemented and accounted for in the 2017/18 Financial Statements.

Item 5.1 – Attachment 4   43

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
5: Unreconciled bonds and retentions liability (repeat issue)	R-5.1: Bayside council should recreate the register of bonds and retentions.	A-5.1.1	Monitor and assess claims against the Bonds & Retentions legacy balances / registers for the former City of Botany Bay Council and annually review Council's position on these balances over time as they age. Management's response to the NSW Audit Office is as follows: "Issue agreed, however given the age and the decommissioning of systems and age of paper records, it is unlikely on a cost benefit basis that a reliable register could be recreated. Council currently holds $2 million in an internal cash restriction against potential claims on these old bonds. These monies relate to the former City of Botany Bay Council's operations pre 2001 and have the potential to result in claims for refunds or claims by Council against the bond. They will continue to be assessed as claims are made and Council's position will be reviewed over time as they age."	Matthew Walker	Completed	Issue agreed, however given the age and the decommissioning of systems and age of paper records, it is unlikely on a cost benefit basis that a reliable register could be recreated. Council currently holds $2 million in an internal cash restriction against potential claims on these old bonds. These monies relate to the former City of Botany Bay Council's operations pre 2001 and have the potential to result in claims for refunds or claims by Council against the bond. They will continue to be assessed as claims are made and Council's position will be reviewed over time as they age. Management advise this issues is resolved.
6: Risk Management	R-6.1: The Council should develop a risk register to record and manage risks with its latest risk management framework. Each risk should be rated based on nature, likelihood, consequence and assigned to a risk owner. The risk register needs to be regularly updated and monitored.	A-6.1.1	Council implemented a strategic risk register which is now in place and the operational risks are currently identified. These will be recorded in Council's ERM PULSE system which allows visibility across management for reviewing, updating and reporting.	Fausto Sut	Completed	Council implemented the Strategic Risk Register in Council's Enterprise Risk Management (ERM) system pulse. Risks are reviewed , updated, monitored, and reported on.
11: Internal Audit	11.1: Establish an effective and resourced Internal Audit function.	A-11.1.1	Implement an effective and sufficiently resourced internal audit function. Management's response to the Management Letter: "The first meeting of the appointed Risk & Audit Committee was held on 18 May 2017 and has been meeting on a regular basis. The Council has an internal audit function with an establishment of 1 FTE. The 2019/20 budgetary process is examining supplementary funding for the function. An independent review of the effectiveness of the Risk & Audit Committee was undertaken in November 2018 and the Committee is addressing recommendations made for improvement."	Fausto Sut	Completed	Council has an internal audit function supported by reporting to the Risk and Audit Committee. The first meeting of the appointed Risk & Audit Committee was held on 18 May 2017 and has been meeting on a regular basis. The Council has an internal audit function with an establishment of 1 FTE. The continuation of the uplift in resourcing to support the internal audit function has been recommended for 2019/20 and the internal audit plan has been based on 1FTE plus funding for suitable providers to undertake 12 audits plus routine reviews. An independent review of the effectiveness of the Risk & Audit Committee was undertaken in November 2018 and the Committee is addressing recommendations made for improvement.

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
11: Internal Audit	R-11.2: Implement an internal audit program covering all financial systems in a 3 year cycle.	A-11.2.1	Implement an internal audit program to cover all financial systems over a 3 year cycle.	Fausto Sut	Completed	An internal audit program was been developed and reported to the Risk and Audit Committee (December 2018) and continues to be reviewed based on emerging risks and audit priorities. An professional services firm, BDO, have been engaged to support the provision of internal audit functions. A revised 3 year plan will be considered by the Risk & Audit Committee at its May 2019 meeting.
13: Procurement Process (Roads to Recovery)	R-13.1: Internal controls over procurement should be redesigned to ensure there is: appropriate segregation of duties, adequate record keeping, an effective review process, and purchase orders are approved for all purchases before the incurring of the expense. Council should implement a "No PO, No Pay" policy, document business process and internal controls, ensure staff are trained, and monitor compliance.	A-13.1.1	Council continues to embed Procurement Policies and Procedures and embed the 'No PO No Pay' policy.	Frank Tambosis	Completed	Historic issues, now addressed through Council's Procurement Policies and procedures. Council implemented a No PO, NO Pay Policy and continues to be embedded.
I-15: Registry of Bonds	R-15.1: The central registry should include residential bonds	A-15.1.1	Council's residential properties are managed by a real estate agency and Council will request a listing of all residential property bonds, to be recorded in the EDRMS.	Samantha Urquhart	Completed	Council has established a listing of all residential bonds and recorded in Council's EDRMS. This will continue to be updated for changes in rental agreements and bonds.
I-15: Registry of Bonds	R-15.2: A review should be performed to ensure that all required bonds have been received.	A-15.2..1	Council will review real estate listing of all residential property bonds for to ensure all required bonds are held by the real estate agents (in trust).	Samantha Urquhart	Completed	Council's Property business unit has reviewed and reconciled the listing of residential bonds provided by the real estate agents to the REST property management system.
20: Management and review of user access to systems	R-20.1: We recommend that management should:develop and implement a formal process over user access creation (that includes formal request and relevant approval), modification and deactivation.	A-20.1.1	Manual review processes to be implemented by 30 April 2019 moving to automated processes by 30 June 2020.	Mark Cleland	Completed	Manual review conducted by IT Applications team and quarterly review process implemented as an interim measure until system access reviews are completed as part of the system implementation and reviews.
27: Civica password security questions and reset notifications	R-27.1: Management should ensure that Password security questions and answers should be restricted to limited IT staff personnel and users should be notified for any changes to their passwords, preferably by a system generated email.	A-27.1.1	Restrictions have been put in place to limit access to IT Staff. Civica (Authority) is planned and progressing for decommissioning by June 30th 2019 therefore it is decided that no action will be taken as there is no cost benefit for the short period required.	Mark Cleland	Completed	Restrictions have been put in place to limit access to IT Staff. Note, that Civica (Authority) is planned and progressing for decommissioning by June 30th 2019 therefore it is decided that no action will be taken as there is no cost benefit for the short period required.

3 of 3

Item 5.1 – Attachment 4   45

Bayside Council
2016/17 Management Letter (final) for year ended 30 June 2017
Action Plan - April 2019 - Progress Report - Actions IN PROGRESS/NOT COMMENCED
Risk and Audit Committee Report Update - May 2019

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
3: Fixed Assets	R-3.1: A detailed review of fixed assets should be performed to re-establish a complete and accurate fixed asset register. This process should also include a quality review.	A-3.1	Develop and implement a program of inventory collection to verify completeness of fixed asset register which will be a rolling program prioritised over 5 years.	Clare Harley	In Progress	Priorities for 2018/19 are: 1. Complete the verification and valuation for the Land Improvements & Other Structures asset classes. A professional valuation firm has been engaged to complete this work (April to mid-August 2019) and work has commenced. Results will be included in the 2018/19 Financial Statements. 2. Footpaths asset survey - in progress 3. Drainage assets survey (condition and data verification) – Request for quotation prepared
3: Fixed Assets	R-3.2: 2.A proper fixed asset register should be reintroduced which includes asset tags numbers, asset locations, purchase and revaluation details.	A-3.2.1	Management comments: In 2017/18 and 2018/19 the Fixed Asset Registers are being maintained in Excel. The schedule for the implementation of the TechnologyOne Fixed Asset Register is being determined based on the TechnologyOne post implementation action plan – April 2019 Design Commences, 2019/20 Build and data conversion, 1 July 2020 System Live with potential for staged implementation over 2019/20 of full functionality, 30 June 2021 System fully implemented and embedded. These dates are based on current project scope and the exact conversion timetable is dependent upon the design stage and timeframes for system build,	Matthew Walker	In Progress	For 2017/18 the Fixed Asset Registers have been updated and incorporated into the 2017/18 Financial Statements submitted to audit 10 April 2019. Due to the systemic audit issues the asset related issues remain un-remediated for the 2017/18 accounts. For 2018/19 financial year the focus is on remediating known audit issues relating to the Fixed Asset Registers, improving quality of the Excel based Fixed Asset Registers, developing policies and process, and training staff. The TechnologyOne Project has commenced to redesign Council's Asset Management Systems, project and work order systems, and Fixed Asset Registers to be implemented June 2020: April 2019 - Design phase has commenced and internal workshops have been completed with the solution design architect.
3: Fixed Assets	R-3.3: 3.The fixed asset register should be reconciled and updated monthly to the general ledger. Additions, disposals and depreciation should be updated in the FAR and general ledger monthly.	A-3.3.1	Implement monthly reconciliations of the Fixed Asset Register and update monthly to the general ledger. Update Asset additions, disposals, and depreciation monthly. As per Recommendation 1617-FIN-R-3.2 and Action 1617-FIN-R-3.2.1 Council's current Excel Fixed Asset Registers have continued to be updated on an annual cycle. Once the TechnologyOne Fixed Asset Register is implemented Council implement asset accounting on a monthly basis. Progress will commence on moving to designing and implementing interim processes for 2019/20 to improve monthly asset information, to support the system implementation for 2020/21. <center>1 of 10</center>	Matthew Walker	In Progress	2018/19 Year End Capitalisation process has commenced and will be adjusted for at end of the financial year. Council has implemented interim improvements to the capitalisation process including a new database for review and sign-off of all capital and work in progress (WIP). The TechnologyOne phase has commenced to review the asset management and fixed asset systems.

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
3: Fixed Assets	R-3.4: The asset register should be reconciled to the GIS system and any other Council register at least yearly.	A-3.4.1	Reconcile GIS to the Fixed Asset Register annually. Refer Recommendation 1617-FIN-R-3.2 and Action 1617-FIN-3.2.1, the reconciliation of GIS and the Fixed Asset Register data will commence in 2018/19 and be finalised as part of the data conversion for the implementation of the TechnologyOne Fixed Asset Register.	Jeremy Morgan	In Progress	A review of GIS assets for stormwater assets is in progress and reconciliation between the GIS and Fixed Asset Register is in progress.
3: Fixed Assets	R-3.6: Management should redesign the procedures and internal controls over the fixed assets systems to ensure that there is: adequate segregation of duties, reporting, record keeping and review and approval by management.	A-3.6.1	Design and implement internal controls over fixed assets to ensure adequate segregation of duties, reporting, record keeping, and review and approval by management. For 2017/18 sign-off and reviews have been implemented and operational procedures will be developed for 2018/19. Refer Recommendation 1617-FIN-R-3.2 and Action 1617-FIN-A-3.2.1, longer term this will form part of the TechnologyOne post implementation action plan.	Matthew Walker	In Progress	2018/19 interim processes being implemented to improve year end capitalisation processes. The TechnologyOne Project has commenced design phase in April 2019 for implementation by 30 June 2020.
3: Fixed Assets	R-3.7: The Asset managment internal controls and procedures should be documented in an Accounting Policy manual.	A-3.7.1	Asset Accounting Policies and procedures supported by training will be developed and implemented for 2018/19.	Clare Harley	In Progress	Draft Asset Management Policies have been developed and are being internally consulted on. The proposed policies will align with Council's redesign of the Asset Management and Fixed Asset Accounting processes being developed as part of the TechnologyOne Project.
3: Fixed Assets	R-3.8: Staff should be trained in Asset Management and the correct procedures to be followed.	A-3.8.1	Conduct training in asset management policy, procedures and internal controls.	Matthew Walker	In Progress	Training has commenced with relevant staff on the 2018/19 interim process for asset capitalisation. Further training will be developed as part of the roll-out of the new Asset Management Policy and Procedures and continue through the TechnologyOne Project.
4: Contaminated Land	R-4.1: Details of contaminated sites should be provided to the valuer when land valuation are being performed to be taken into account when determining fair value.	A-4.1.1	Council is conducting a desktop review of Council owned land which may be potentially contaminated	Clare Harley	In Progress	1.A list of properties owned by Council, including details on lots and DP's/SP's, zoning, land size (cumulative for a single park with multiple lots) and the owner is currently being compiled in an Excel Workbook. Information is currently being accessed from Councils property and GIS databases (as per the draft Excel Workbook forwarded in April). 2.Information on the known status of these sites are being sought and compiled from existing records held in mapping and other areas of Council. 3.The next step is to input the known information regarding contamination, from reports, mapping and databases, into properties in the Excel Workbook that are owned by Council. 4.The end result will be a single Excel Workbook of the information noted in 1. – 3. above 5. Management will review and implement by 30 June 2019.

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
4: Contaminated Land	R-4.1: Details of contaminated sites should be provided to the valuer when land valuation are being performed to be taken into account when determining fair value.	A-4.1.2	Internal procedures for contaminated land will be developed to support this process and make information available to the valuation process.	Clare Harley	In Progress	Internal procedures are being developed.
4: Contaminated Land	R-4.2: Management should monitor all contaminated land sites to ensure that contamination is not spreading offsite and ensure that the remediation provision is sufficient.	A-4.2.1	As Council identifies potentially contaminated sites they will be assessed and investigated as required, and where necessary remediation plans and monitoring programs be implemented.	Clare Harley	In Progress	Council is currently conducting the desktop review (refer Action 1617-FIN-A-4.1.1 which will be completed by 30 June 2019. Ongoing monitoring and investigation will be implemented with procedures being developed (refer Action 1617-FIN-A-4.1.2).
3: Fixed Assets	R-3.5: Useful lives and impairment assessments should be carried out at least yearly.	A-5.1.1	Implement process for 2018/19 for annual assessment of useful lives and impairment of assets.	Debbie Fransen	In Progress	The 2018/19 asset management process for year end has commenced and includes reviews of useful lives and an assessment of impairment of assets.
7: Policies	R-7.1: The Council should ensure its policies are up to date.	A-7.1.1	Council has in place a Policy Harmonisation Project to review and update all policies across Council. Policies have been identified and prioritised for review.	Fausto Sut	In Progress	Council has continued to progress the review of all policies and harmonisation of policies for the whole of Bayside Council. A Policy Harmonisation Project has been in progress since amalgamation (September 2016) and is scheduled for completion by 30 June 2020. Critical policies to resolve audit issues and to achieve the objectives of Project 2020 are being prioritised for completion by 30 June 2019. The Coordinator of Governance and Risk is being seconded as a dedicated resource is being assigned to complete the policy work.
8: No fraud & corruption policy	R-8.1: The Council should create a fraud & corruption policy which outlines reporting and investigation processes. Staff should be trained in the correct procedures to be followed.	A-8.1.1	Implement a Fraud and Corruption Policy. This is a priority identified for completion in this year's work plan.	Fausto Sut	In Progress	BDO (Council's internal audit service provider) has been engaged to assist with the implementation of a Fraud & Corruption Prevention Policy and Strategy. Timeframes for completion are: • Draft Policy received 31 May 2019 • Draft to Executive Meeting 6 June 2019. • Policy Reported to Council 12 June Meeting. • Draft Strategy to be received by 28 June 2019. • Report to Executive 11 July 2019
8: No fraud & corruption policy	R-8.1: The Council should create a fraud & corruption policy which outlines reporting and investigation processes. Staff should be trained in the correct procedures to be followed.	A-8.1.2	Since formation Council has undertaken an extensive program of training and awareness of fraud and corruption risk and reporting requirements which has been incorporated into Council's induction program for new starters. These principles have been embedded in Council's key policies such as Council's Procurement Policy.	Fausto Sut	In Progress	Council has undertaken an extensive program of training and awareness of fraud and corruption risk and reporting requirements which has been incorporated into Council's induction program for new starters. These principles have been embedded in Council's key policies such as Council's Procurement Policy. Once the new Fraud and Corruption Strategy and Policy have been developed, the training and staff awareness program will be updated.

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
9: Lease	R-9.1: Management should ensure that tenants hold all required insurances and it is regularly monitored. Rent should be reviewed on annual basis against lease conditions. The Finance team should review all leases and ensure they are classified correctly between finance and operating leases.	A-9.1.1	Implement Reconciliation processes and controls over insurances.	Samantha Urquhart	In Progress	The Property business unit is in the processing of developing an insurance register to capture current PLI certificates and expired. Staff will now be managing the insurances with an aim to holding a register of current insurances for our leasing portfolio.
9: Lease	R-9.1: Management should ensure that tenants hold all required insurances and it is regularly monitored. Rent should be reviewed on annual basis against lease conditions. The Finance team should review all leases and ensure they are classified correctly between finance and operating leases.	A-9.1.2	Implement reconciliation processes and controls over rents.	Samantha Urquhart	In Progress	Reconciliation process is ongoing. The Property business unit has been granted endorsement to procure a Property Management System which will make this process more robust and accurate. We aim to have our Property Management System go live in December 2019.
9: Lease	R-9.1: Management should ensure that tenants hold all required insurances and it is regularly monitored. Rent should be reviewed on annual basis against lease conditions. The Finance team should review all leases and ensure they are classified correctly between finance and operating leases.	A-9.1.3	Implement process for annual review of rents against against lease conditions.	Samantha Urquhart	In Progress	In progress, the Property business unit reviews lease agreements which are being renegotiated and renewed and all new leases rents are raised in accordance with lease agreements. The proposed new Property Management System to be implemented by December 2019 will continue to improve controls and will require a full data verification back to source lease documents. In the event source lease agreements are insufficient or not documented these issues will be remediated, and in part be addressed by the implementation of the new accounting standard for leases. The Property and Finance business units will work together to ensure the new system and property records can be correctly accounted for.
9: Lease	R-9.1: Management should ensure that tenants hold all required insurances and it is regularly monitored. Rent should be reviewed on annual basis against lease conditions. The Finance team should review all leases and ensure they are classified correctly between finance and operating leases.	A-9.1.4	Review all leases and ensure they are classified correctly between finance and operating leases and accounted for correctly in Council's Annual Financial Statements and accounting records.	Samantha Urquhart	In Progress	Council has reviewed the leases for 2017/18 Financial Statements and classified them in accordance with the Australian Accounting Standards. The review for 2018/19 will be completed by 30 June 2019.
10: Receivables	R-10.1: The Council should implement systems that support good debtor management.	A-10.1.1	Review Council's Recovery Policy for 2018/19 in line with the Office of Local Government guideline.	Matthew Walker	In Progress	Council is reviewing the Recovery Policy for 2018/19 in line with the Office of Local Government guideline to be finalised by 30 June 2019.
10: Receivables	R-10.1: The Council should implement systems that support good debtor management.	A-10.1.2	Implement improved Receivable monthly reconciliation controls including review of aged debtors.	Matthew Walker	In Progress	Monthly reconciliation processes and review of aged debtors has been implemented. A review of all debtors and provisions will be completed in line with preparations of the 2018/19 Financial Statements.
10: Receivables	R-10.1: The Council should implement systems that support good debtor management.	A-10.1.3	Decommission Authority (Bayside East system) and transitioning to a single system – Pathway for all receivables management.	Matthew Walker	In Progress	The project to decommission Authority is in progress with changes to be implemented by 30 June 2019.

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
10: Receivables	R-10.1: The Council should implement systems that support good debtor management.	A-10.1.4	Develop Debtor Statements in Pathway.	Matthew Walker	In Progress	Debtor Statements have been specified and are under development and will be implemented as part up implementing the new Recovery Policy and supporting updates to procedures.
12: Long Service Leave Provision and limitation of Chris21 (repeat issue)	R-12.1: The council should consider using a system which supports its employment conditions.	A-12.1	Implement IChris as the Employee Management System to accurately manage employee pay and entitlements replacing the two former legacy Chris 21 Systems and implement internal controls including segregation of duties, restrictions on access, approval processes and audit trails (refer 2016/17 Interim Audit Management Letter (Issue 3 and Actions 3.1.1, 3.2.1, 3.3.1, 3.4.1, and 3.5.1).	Kristina Forsberg	In Progress	The former City of Botany Bay Council and Rockdale City Council Chris21 Systems have been decommissioned on 24 June 2018 and a consolidated IChris system implemented for Bayside Council. From 2018/19 the following has been implemented: - A weekly "oncost" accrual is posted to accrue LSL - The new IChris system has new user security profiles which segregate duties between POC and Payroll, access is limited to appropriate users. - Audit Trails are now available in IChris for the following areas: changes to Salary details, position details, bank account, superannuation details, deductions, allowances, address details, new starters and terminations. - LSL casual accrual calculations related to the Airport Business Unit which has now been discontinued – this process is no longer occurring. - Leave entitlements are being verified and the IChris system will be updated for revised balances in 2018/19 and the new IChris system has been configured to calculate entitlements correctly.
14: Lack of support to labour cost charged to capital projects (Roads to Recovery)	R-14.1: The Council should establish a timesheets system to ensure that all time spent on projects is accounted for and that sufficient records are kept to acquit expenditure.	A-14.1.1	Council's review of TechnologyOne and IChris will review options for allocation of time to projects.	Jeremy Morgan	In Progress	A project to re-implement the TechnologyOne Asset Management system and Fixed Asset Registers is currently in progress. The Design phase is running April 2019 to June 2019 and concurrently Council is conducting a post implementation review of the IChris System. These two projects will consider options for improving time management and allocation of costs to projects. Once investigations are complete, the build phase will commence with an expected implementation date by 30 June 2020.
16: Missing Employee Records (2016/17)	R-16.1: All employee records shoud be maintained in their TRIM folder.	A-16.1..1	Review Employee Files and identify any missing records. Council will work with the audit office to resolve any anomalies in regards to the records not provided and review the records keeping process to ensure employee records are being correctly maintained.	Kristina Forsberg	In Progress	Information has been requested from Audit Office to identify missing records. Reviewing issues with POC team and reviewing an updating records where required. POC will be conducting a sample test for completeness of employee records in TRIM.

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
17: Rostered days off provision (repeat issue)	R-17.1: Management should ensure that its (Employee & Payroll) systems are fit for purpose, keep adequate records and can support its business needs.	A-17.1.1	From 2018/19 RDO's are being corrected and the IChris System and a report will be created to report on RDO's.	Kristina Forsberg	In Progress	Due Date revised: From 30 April 2019 to 30 June 2019 due to additional reconciliation processes to verify employee leave entitlements. RDO Balances have been reviewed, adjustments approved by the Executive, and corrected in Council's IChris System. Final reconciliations to be reviewed and signed off and submitted to Audit as part of the interim audit for 2018/19 (scheduled for mid June to mid July). A post implementation review of the new employee system, IChris, is in progress (April 2019) and the reports will be specified and developed by 30 June 2019.
18: Sick Leave Provision (repeat issue)	R-18.1: Management should ensure that its systems are fit for purpose, keep adequate records and can support its business needs	A-18.1.1	Sick Leave Provisions will be corrected.in 2018/19 and IChris System updated. Council continues to apply the former grandfather clauses to preserved paid sick leave in a manner consistent with the industry wide treatment and therefore does not apply a probability calculation.	Kristina Forsberg	In Progress	Due Date revised: From 30 April to 30 June 2019 due to additional reconciliations of legacy employee leave balances and improvements to supporting working papers. POC have requested details of the specific 2 records identified so that Council can remedy any error and the amount of the error. Employee records will be corrected in 2018/19 and IChris System updated as part of the reconciliation of employee leave balances.
19: Pensioner granted rebate on multiple properties	R-19.1: The Council should review the Centrelink confirmation reports for any duplicates on pensioners with multiple properties prior to granting the concessions and subsequently processing the rebates claims.	A-19.1.1	Council will review the Centrelink confirmation reports for any duplicates on pensioners with multiple properties prior to granting the concessions and subsequently processing the rebates claims.	Matthew Walker	In Progress	This was a system based issue - the email notification on the property owned by a pensioner was not generated by Pathway. The maximum value of this error is $250.00. Normally, the property sale would have been identified by Centrelink when confirming our pensioner file submitted prior to the levying of rate notices. In this instance that did not occur. Centrelink were unable to confirm the reason however indicated that this could have occurred because the pensioner did not update their change of address with them or because the pensioner purchased or moved to a property in the same suburb. Given the above chain of events, Council believes this is an isolated incident. However, as a safeguard, Council is developing an exception report that will be used to monitor discrepancies and be run prior to each notice run that will identify any properties that have been previously owned by a pensioner where the pension details held by Council are the same on both sides of the transfer date.
20: Management and review of user access to systems	R-20.1: We recommend that management should:develop and implement a formal process over user access creation (that includes formal request and relevant approval), modification and deactivation.	A-20.1.2	Bayside will put in place automated measures to limit the risk of unauthorised system access. 6 of 10	Mark Cleland	In Progress	Review and investigation of options in progress.

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
20: Management and review of user access to systems	R-20.1: We recommend that management should:develop and implement a formal process over user access creation (that includes formal request and relevant approval), modification and deactivation.	A-20.1.3	Investigate options to make the management of user access task efficient, repeatable and auditable as well as driving cooperation from the various Business stakeholders to help define roles and responsibilities within Bayside's Core Applications.	Mark Cleland	In Progress	Review and investigation of options in progress.
20: Management and review of user access to systems	R-20.2: Establish a formal user access review process. Reviews should ensure that: each user ID has an assigned owner, all active users on the systems are current employees, user access assigned does not exceed the job function, all segregation of duties issues are identified and removed, they cover high privilege user activities in systems, they are performed regularly and timely, evidence of review be retained for audit trail purposes.	A-20.2.1	Implement manual review processes and quarterly monitoring and reporting of exceptions of inappropriate access and access not appropriate to roles and responsibilities.	Mark Cleland	In Progress	Manual review process implemented and improvements on going. Investigation options for reporting and systems reports / enquiries to assist with manual reviews.
20: Management and review of user access to systems	R-20.2: Establish a formal user access review process. Reviews should ensure that: each user ID has an assigned owner, all active users on the systems are current employees, user access assigned does not exceed the job function, all segregation of duties issues are identified and removed, they cover high privilege user activities in systems, they are performed regularly and timely, evidence of review be retained for audit trail purposes.	A-20.2.2	Council will implement quarterly reporting that identifies exceptions (if any) that are either not valid employees, or have rights not appropriate to their role - Pathway System Access Review.	Mark Cleland	Not Started	Pathway System Access reviews to be completed in 2019.
20: Management and review of user access to systems	R-20.2: Establish a formal user access review process. Reviews should ensure that: each user ID has an assigned owner, all active users on the systems are current employees, user access assigned does not exceed the job function, all segregation of duties issues are identified and removed, they cover high privilege user activities in systems, they are performed regularly and timely, evidence of review be retained for audit trail purposes.	A-20.2.3	Council will implement quarterly reporting that identifies exceptions (if any) that are either not valid employees, or have rights not appropriate to their role - TechnologyOne System Access Review (to be implemented with updated TechnologyOne Profiles, refer the TechnologyOne Project).	Mark Cleland	Not Started	TechnologyOne project will review user and system access appropriate to roles with consideration of internal controls.

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
21: Password and Security Configurations	R-21.1: Update the password policy to include guidelines on the password parameters as recommended by the audit office, apply the appropriate password parameters in line with the password policy and generally accepted practice password requirements. Document any deviations from the policy and have them approved by management.	A-21.1.1	IT will create the relevant password Standards and have that endorsed, as well as developing controls and logs to ensure best practices are met or mitigated.	Mark Cleland	In Progress	Council is developing IT Standards and policy and procedures to be endorsed by the IMT Steering Committee and Executive.
21: Password and Security Configurations	R-21.2: Ensure 'Test' accounts are only setup on Test/QA systems. If its use is required on live business system, it should be assigned to an individual/position for ownership and accountability. Test accounts on live business system should be disabled once testing is completed.	A-21.2.1	Controls over 'Test' accounts will be included in IT policies and procedures to restrictions on setup on Test/QA system and restrict and monitor testing in live systems.	Mark Cleland	In Progress	The IT Standards and policy and procedures and will be reported to the IMT Steering Committee and Executive for endorsement.
21: Password and Security Configurations	R-21.3: Ensure the use of "generic" accounts are limited and monitored. An owner/position should be assigned responsibility for the use and actions performed on such account.	A-21.3.1	Update IT Standards and policies and procedures to monitor and limit the use of generic and system administration accounts. Use of generic accounts will be documented and approved by the IT Change Advisory Board (CAB) substantiated by the business requirement and a risk assessment and sign-off of responsible manager and stakeholders. IMT Steering will receive updates and resolve exceptions. (Combined management response from 2016/17 Management Letter reference 1617-FIN-R-21.3 and IT Management Letter 2017/18 ref 1718-IT-R-1.2	Mark Cleland	In Progress	The IT Standards and policy and procedures and will be reported to the IMT Steering Committee and Executive for endorsement.
22: Lack of system change management policies and documentation	R-22.1: Management should develop and formalise the change management policy and procedures to ensure all changes to applications are supported by appropriate change control documents, including request for changes, user acceptance testing and go live approval.	A-22.1.1	Establish a Change framework and documented policy and process including Change workflow through the Service Desk Management systems.	Mark Cleland	In Progress	The Change Framework will be included in the IT Standards and policy and procedures and will be reported to the IMT Steering Committee and Executive for endorsement.

Item 5.1 – Attachment 5   53

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
23: General Ledger Migration to TechOne	R-23.1: Management should review the current system implementation processes and ensure that formal procedures on managing risks and issues and proper documentation on migration process & testing results exist for future data migrations	A-23.1.1	Data migration controls and procedures will be developed for use on future system implementations. IT will put in place business processes and internal controls including change board and security standards that will ensure that Data migration activities are defined and supported by resources and training, for example: checklists, sign-offs and guides and that future implementations include reconciliations and sign-off of data migration. Significant milestones, such as go live, will be endorsed by IMT. The IT Change Advisory Board will review and endorse the implementation plans for systems program changes and / or data migration. Data cleansing and correction of data, user acceptance testing (UAT), and access to the production environment will be managed by the project manager. The IT Change Advisory Board will monitor the sign-off and completion of data migration into the system and will oversight the segregation of duties to ensure that separation of the approval, user acceptance testing and promotion of changes to production for both program changes and data migration. This Action combines the management responses to the 2016/17 Management Letter Issue 23 General Ledger Migration to TechOne and the 2017/18 IT Management Letter Issue 3 Data Migration - IChris and Pathway.	Mark Cleland	In Progress	An IT Change Advisory Board has been established and is developing processes as part of the review of IT Standards, Policy and Procedures and will implement the recommendations in full.
24: Lack of IT Security Policies and Governance	R-24.1: Management should develop an information security policy and procedures for effective security administration. Such a policy should have formal approval to emphasize the importance to all concerned of security issues.	A-24.1.1	IT Security and standards will be endorsed and implemented in 2019, with a compliance monitoring framework.	Mark Cleland	In Progress	A review of IT Standards, Policy and Procedures is in progress and will be implemented including a compliance framework.
24: Lack of IT Security Policies and Governance	R-24.2: The implementation of such policies should have a security awareness program conducted at regular periodic intervals so that all the users understand their roles and responsibilities regarding Information Security and thus, are in a better position to comply with the requirements.	A-24.2.1	Conduct organisational awareness to ensure the standards are clearly understood, and include into the Council employee induction program.	Mark Cleland	Not Started	Following endorsement of the IT Standards, Policies and Procedures Council will conduct staff training and awareness on an ongoing basis.

Audit Issue	Audit Recommendation	Action ID	Management Response - Action Plan	Responsible Manager	Status	Comment
25: Monitoring of high privilege users	R-25.1.1: Management should: ensure the use of generic accounts is limited and monitored; require generic accounts be assigned an owner to ensure there is responsibility for the use and actions of the account; perform a risk assessment to identify the critical business processes, data and administrative functions that need to be logged in the Active Directory, CHRIS 21, Pathway and TechOne systems; establish supplementary processes to ensure adequate and regular reviewing of the privileged user activities based on the risk profile; regular reviews of these audit logs should be initiated and appropriately filters defined to record changes to critical data, administration and security functions; and documentation of these access and activity reviews should be maintained to ensure the accountability and traceability of the activities.	A-25.1.1	Investigate the use of audit logs and reporting to show use of high privilege activities in Core IT systems and Applications Bayside will establish audit processes to review the use of high privilege activities in Core systems and applications and implement the process of regular reviews based on the risk assessment. The results will be reviewed by internal audit on an annual basis. Note, Civica (Authority) is planned and progressing for decommissioning by 30 June 2019. A review of Civica access will be performed and reviewed prior to the migration to Pathways prior to financial year end for 2018/19. Council will conduct a risk assessment to identify the critical business processes, data, administrative functions and security functions that need to be logged and will implement the procedures and processes to report to the IT Change Advisory Board. This will ensure sustainable internal control through the use of the change board, audit and access logs or system generated reports to provide before and after reconciliations. Change request requiring High User Access need to be logged and approved by the CAB or in the event of emergency approved by the Director and subsequently reported to CAB. Records of changes are to be retained (evidenced), reviewed and reported back to the CAB when required. Combined Action for 2016/17 Management Letter Issue 25	Mark Cleland	In Progress	Process for managing high privilege activities are being developed and supporting inquiry and reports specified to support this process. Approval and review of access will be managed through the Change Advisory Boards and included in the updates to Policy and Procedure.
26: Lack of backup policy and disaster recovery plans for systems	R-26.1: Council should develop and approve its backup policy for it's systems, including (but not limited to): backup frequency; medium; backup logs maintenance; retention period, and backup recovery testing. Management should update the disaster recovery plan, and ensure it is tested and updated regularly to ensure it's effectiveness.	A-26.1.1	Develop and implement a Backup Policy and process. Lessons learnt from the Disaster Recovery Test in February 2018 were captured and discussed, however at the time of this audit these were not incorporated into the Disaster Recovery Plan due to the planned migration to GovDC, which was originally scheduled for completion in October 2018, now June 2019. IT have since updated the lessons learnt and will incorporate relevant information into the update to the IT Disaster Recovery Plan to be approved by the IMT Steering. Combined Action from 2016/17 Management Letter Issue 26 Lack of backup policy and disaster recovery plans for systems and 2017/18 Management Letter Issue 12 Disaster Recovery Plan (DRP).	Mark Cleland	In Progress	A review of the Backup Policy and Disaster Recovery Plan has commenced and will be implemented in line with the GovDC project for 2019/20. Interim processes remain in place taking into consideration the lessons learnt.

10 of 10

Bayside Council
ICAC Action Plan - April 2019 - Progress Report - In Progress
Risk and Audit Committee Report Update - May 2019

ICAC Recommendation	ICAC Recommendation Detail		Bayside Council Action		Responsible Officer	Comment
R1: That Bayside Council reviews its financial processes and makes any necessary changes	R1.2: The vendor master file is subject to appropriate segregation and review-based controls	R1.2.15	Expand the use of Techone Contract Management module to support better establish and monitor terms and conditions and procurement compliance.		Michael Mamo	The Technology One Contracts module was not implemented prior to the completion of the TechnologyOne Post Implementation Review. The TechnologyOne Post Implementation Review - Roadmap included the recommendation that the Contracts module be implemented over two phases. Solution design phase of the TechnologyOne Roadmap will commence in February 2019 and this will determine the timing of delivery. It is expected that phase one will be implemented by 30/06/2019.
R2: 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	R2.1: 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	R2.1.6	Post amalgamation policy alignment and harmonisation		Fausto Sut	Action and resourcing plan agreed by Executive Committee. Project 2020 policies prioritised with Policy Harmonisation Project targeted for completed by 30 June 2020.
R2: 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	R2.1: 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	R2.1.11	Ongoing improvement of reconciliation processes by transitioning of Authority systems to TechnologyOne (single system and set of bank accounts for Bayside Council). Full reconciliation performed across the balance sheet on a monthly basis.		Matthew Walker	Business Process and Controls for Financial Reporting implemented in 2018/19 including monthly reconciliations of all balance sheet accounts and daily Bank Reconciliations. This process is ongoing and will be fully embedded in 2018/19. This action has been partly superseded as Council continues with two bank accounts supporting the Authority System and Technology One and will do so until the retirement of the Authority System in 2018/19, scheduled for June 2019.

ICAC Recommendation	ICAC Recommendation Detail	Bayside Council Action		Responsible Officer	Comment
R2: 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	R2.1: 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	R2.1.14	Implement a more robust Business Governance Model including strengthening the policy and process ownership model, systems, change protocols and authorities.	Fausto Sut	Fraud and Corruption Project to commence in May 2019 with completed targeted fro 30 June 2019.

P2020 Risk Management

ID	Risk Name	Risk Description (Cause)	Risk Impact Description (Effect)	Stream	Owner	Overall Base Risk Rating	Mitigated Overall Risk Weighting	Agreed Mitigation/Action Plan	Current Status/ Update (Actions taken / Audit trail)
P2020_Risk_001	Agreed 2017/18 Financial Statements timeframes not met	The 2017/18 Financial Statements may not be finished in time to allow for audit prior to reporting to March April Council Meeting	2017/18 Financial Statements if not completed will continue to impact on quality, completeness and focus on 2018/19 financial year (current year). Resources across Finance and business units will continue to be spread across multiple financial years. Failure to complete 2017/18 will mean the 2018/19 Financial Statements would potentially not meet statutory deadlines and may continue with an audit disclaimer of opinion	WBS 1 Financial Statements	Matthew Walker	High	Medium	Manager Finance to present the 2017/18 Financial Statements and list of outstanding issues to the General Manager (1/02/2019) and subsequently to the Working Group and Project Steering Committee	Various - Revised timlines reported to the PSC (Executive)
P2020_Risk_002	Timeframes for audit of the 2017/18 Financial Statements are not met	The NSW Audit Office may not complete their audit work for the 2017/18 Financial Statements and issue an Opinion prior to the March April Council Meeting	2017/18 Financial Statements may be presented to Council without any audit input Lack of audit feedback may result in undetected errors and audit isssues in the 2017/18 Financial Statements not being identified until after the accounts have been referred to audit by Council	WBS 1 Financial Statements	Matthew Walker	High	High	Director City Performance to engage the Audit Office to obtain a timeline for the 2017/18 Audit work and issuance of Opinion and any additional timeframes required for the Audit Technical Committee's review. General Manager, Director City Performance, and Manager Finance to engage the NSW Audit Office on the approach, timeframes, and agree an audit program for 2017/18 Financial Statements.	8/2 Meeting with Auditor General (GM, DCP, Mgr Fin) agreed approach, timeframes for audit input have been allowed, but the audit program will not have been completed prior to accounts going to Council Feb - Councillor Briefing
P2020_Risk_003	Agreed 2018/19 Financial Statements timeframes not met	The 2018/19 Financial Statements may not be finished in time to allow for audit prior to reporting to October Council Meeting	Failure to complete the 2018/19 Financial Statements on time would result in Councl not meeting statutory deadlines and may result in statutory consquences from OLG.	WBS 1 Financial Statements	Matthew Walker	Medium	Medium	Manager Finance to present the 2018/19 Financial Statements in accordance with Statutory requirements. RFQ for valuation of land improvements and other assets fast tracked.	Feb - Finance Check point cancelled due to Budget & 2017/18 Asset capitalisation / Financial Statement preparations Feb - RFQ for asset verification and valuation fast tracked Mar - Finance Check point meetings on reconciliations and working papers, remedial action all recs to be updated by end of April Apr - 2/04 Asset Management Lesson Learnt workshop held and improvements implemented for 2018/19 Apr - 29/04 Finance Lessons Learnt and 2018/19 Planning / Prepartion Workshop scheduled
P2020_Risk_004	Timeframes for audit of the 2018/19 Financial Statements are not met	The NSW Audit Office may not complete their audit work for the 2018/19 Financial Statements and issue an Opinion prior to the October Council Meeting	2018/19 Financial Statements may be presented to Council without any audit input Lack of audit feedback may result in undetected errors and audit isssues in the 2019/19 Financial Statements not being identified until after the accounts have been referred to audit by Council	WBS 1 Financial Statements	Matthew Walker	Medium	Medium	Director City Performance to engage the Audit Office to obtain a timeline for the 2018/19 Audit work and issuance of Opinion and any additional timeframes required for the Audit Technical Committee's review. General Manager, Director City Performance, and Manager Finance to engage the NSW Audit Office on the approach, timeframes, and agree an audit program for 2018/19 Financial Statements.	8/2 Meeting with Auditor General (GM, DCP, Mgr Fin) agreed approach and timeframes April - Audit Office have confirmed Interim Audit for 2018/19 from c.10/6 to mid July, and final audit 9/9 approx 6-8 weeks with two Technical Review Committees (16/10 and 30/10). This alters the WBS 1.2 Financial Statements 2018/19 timeline for R&AC and Council meetings for review and approval.

ID	Risk Name	Risk Description (Cause)	Risk Impact Description (Effect)	Stream	Owner	Overall Base Risk Rating	Mitigated Overall Risk Weighting	Agreed Mitigation/Action Plan	Current Status/ Update (Actions taken / Audit trail)
P2020_Risk_005	New audit issues emerge that impact the quality of the 2017/18 and 2018/19, 2019/20 financial statements and audit opinion	That efforts to improve financial information and financial management detect further deficiencies in information, data integrity, systems, processes and capability not previously identified by management or audit.	New audit issues emerge that impact negatively on audit opinions for 2017/18 and 2018/19, 2019/20	PMO	Matthew Walker	High	Medium	Active and ongoing monitoring and management of the RAID Register to ensure that risks and issues are tracked and that changes to assumptions and / or project inter dependencies are communicated to the Project Steering Committee (PSC) and managed effectively. Active monitoring of Finance Month End	Feb - Finance Check point cancelled due to Budget & 2017/18 Asset capitalisation / Financial Statement preparations Mar - Finance Check point meetings on reconciliations and working papers, remdial action all recs to be updated by end of April Apr - Finance Check point meetings - Finance Manager quality reviews and sign-off May - Early Close process and dry-run of Year End IT and Finance Statements
P2020_Risk_006	Disclaimer of Opinion on the Bayside Financial Statements results in reputation damage and legislative actions / interventions	The audit office have advised they will advise the Office of Local Government that the Bayside Coucnil financial records have not been maintained in accordance with statutory requirements. The NSW Local Government Act provides powers for the Minister to take actions where there are deficicincies in financial management.	That failure to remove the Disclaimer of Opinion on the Bayside Financial Statements results in reputation damage and legislative actions / interventions which may resutlt in additional oversight, appointment of a Financial Controller, and / or appointment of Administrator.	WBS 1 Financial Statements	Matthew Walker	Medium	Medium	Active and ongoing monitoring and management of the project progress and regular engagement of key external stakeholders including: Council, the Risk and Audit Committee, the Finance and Asset Committee (Council), the NSW Audit Office and Auditor General, the Minister for Local Government, the Office of Local Government, and ICAC. Proactive communication and community engagement of key stakeholders, stakeholder groups (such as Chamber for Commerce) and media communications as required. Director City Performance to engage with Office of Local Government and arrange meeting to discuss (with General Manager, Manager Finance, and DCP) Ongoing updates to OLG on progress. Meet agreed timeframes (31/5/2019) for submisssion of the 2017/18 Financial Statements	21/3 Meeting with OLG (GM, DCP & Mgr Finance) to brief on current status and approach. Agreed timeframe for submission of the 2017/18 Financial Statements 31/5/2019)
P2020_Risk_007	Business Unit Managers buy-in to P2020 objectives & project	The required Stakeholder engagement buy in from business unit managers and key staff in the project is not sufficient or inconsistent due to lack of organisational alignment	The lack of buy in by Business Unit Managers, staff in general and potential resistance to change may result in new processes to address audit issues and manage audit risks, and improve financial management not being consistently adopted.	PMO	Cate T.	High	Medium	- Leadership Team updates undertaken to ensure understanding and stakeholder buy in - Cross functional teams "Lessons Learnt" for major processes - Business Unit engagement sessions to cover drivers for change, audit and implications for Council, new processes - "what's in it for them" - Appropriate communications for Directors & Business Unit Managers to cascade / disseminate out to their respective teams - Communications & staff updates	- // P2020 Update to Leadership Team - 2/4: Lessons Learnt for Asset Management 2017/18 process, with possitive feedback from attendees. Opportunities for improvement being implemented. Reviews ongoing. - 29/04: Finance Team workshop - Lessons Learnt from 2017/18 and Planning Session for 2018/19.

ID	Risk Name	Risk Description (Cause)	Risk Impact Description (Effect)	Stream	Owner	Overall Base Risk Rating	Mitigated Overall Risk Weighting	Agreed Mitigation/Action Plan	Current Status/ Update (Actions taken / Audit trail)
P2020_Risk_008	Business Unit Managers and key staff do not meet audit requirements	Business Unit Managers and key staff may not understand their business risks from an audit perspective, the need / urgency for changes to financial management, and how to communicate effectively with audit	Audit may perceive management as not adhering to process and or not understanding their own business which would increase audit risks and increase the audit program. Systemic inability to provide quality financial management and accurate information to address audit queries may result in the audit tests failing and a continuation of the disIcaimer.	PMO	Cate T.	High	Medium	- FP&A team to workshop "Audit Risks" with Business Unit Managers and document mitigation plan	- April Month End - FP&A Team to conduct review of the Audit Risks with each Business Unit Manager and document mitigation action plan - April Month End Checkpoint - Manager Finance & Director City Performance to review audit risks and mitigation plans - April - Presentation / Instruction to Business Unit Managers on process to identify Business Unit Audit Risks
P2020_Risk_009	Resourcing P2020 deliverables	Resources with appropriate skills and capacity to complete P2020 deliverables may not be available.	Deliverables may not be achieved on time and to required scope and quality which may result in project objectives not being achieved.	All	Michael Mamo	Medium	Medium	- Weekly Project meetings with Project Sponsor - Fortnightly Project update meetings with Project Steering Committee	Ongoing weekly monitoring - Decisions taken: 2017/18 Financial Statements - BDO engaged to conduct Quality Assurance of 2017/18 Financial Statements P2020 - Project Stream leads appointed and resourcing works chedules agreed ELE & Payroll Stream - Additional Consultancy engaged to do full verification Asset Management - RFQ for Asset Verification & Valuation fast tracked - P2020 Budget to be approved Qtr 3
P2020_Risk_010	Delays in communication approval process	Delays in the approval processes on key decisions	Delays in approval process for key decisions may impair the timeliness and / or quality of business processes and project outcomes	PMO	Cate T.	Medium	Medium	- Weekly Project meetings with Project Sponsor - Fortnightly Project update meetings with Project Steering Committee	- Ongoing weekly monitoring - Decisions taken: 2017/18 Financial Statements - BDO engaged to conduct Quality Assurance of 2017/18 Financial Statements ELE & Payroll Stream - Additional Consultancy engaged to do full verification Asset Management - Resourcing & Project Stream Lead appointed Asset Management - RFQ for Asset Verification & Valuation fast tracked 2018/19 Investment policy will be adopted internally, RFQ to run externally over longer period
P2020_Risk_011	Timely updates from each Project Stream	Lack of timely updates / issues / input from P2020 Workstreams will impact the quality and comprehensiveness of the risk management and delivery of project on time, to quality and scope.	Lack of timely updates on emerging issues, risks and project delivery will directly impact on overall project - timeframes, risk management, quality and outcomes.	All	Cate T.	High	Medium	- Team work to identify risks and issues and escalate if needed. - Ensure prioritisation and clear timeframes for inputs / decision required - Escalate at weekly stand up meetings	- Project Status updates to Project Steering Committee on each Workstream - RAID updated and reported on

ID	Risk Name	Risk Description (Cause)	Risk Impact Description (Effect)	Stream	Owner	Overall Base Risk Rating	Mitigated Overall Risk Weighting	Agreed Mitigation/Action Plan	Current Status/ Update (Actions taken / Audit trail)
P2020_Risk_012	Councill business process and internal control procedures are not consistently applied	That Council's staff do not consistently adhere to documented business procedures and internal controls due to lack of knowledge and skills, or insufficient support to comply, and / or that procedures are not clear or do not exist.	Lack of demonstrated compliance may result in inconsistent application of policies and procedures resulting in potential errors or losses and new audit issues.	All	Cate T.	High	Medium	- Team work to identify risks and issues and escalate if needed. - Ensure prioritisation and clear timeframes for inputs / decision required - Escalate at weekly stand up meetings	- Councils Business Process & Controls documented and implemented in 2018/19 will be monitored and continue to be embedded - Council's new Business Continuous Improvement Unit will continue to address improvements across Council - P2020 Policy dependencies will be identified and addressed in each Workstream
P2020_Risk_013	Council Policies are insufficient and / or not consistently applied	That Council's staff do not consistently adhere to documented Policies due to lack of knowledge and skills, or insufficient support to comply, and / or that Policies are not clear or do not exist.	Lack of demonstrated compliance may result in inconsistent application of policies and procedures resulting in potential errors or losses and new audit issues.	All	Cate T.	High	Medium	- Team work to identify risks and issues and escalate if needed. - Ensure prioritisation and clear timeframes for inputs / decision required - Escalate at weekly stand up meetings	- Councils Policy Harmonisation process is in progress - P2020 Policy dependencies will be identified and addressed in each Workstream
P2020_Risk_014	Council's Financial Management Information Systems do not have sufficient internal controls to protect Council's resources	That Council's Information Systems that control financial management have insufficient internal controls over access and approvals to protect Council's resources.	Lack of demonstrated IT controls and compliance may result in in potential errors or losses, inappropriate access, and new audit issues.	All	Mark Clelend	Medium	Medium	- IT reviewing IT controls - IT reviewing System Access - IT implementing managmeent responses to NSW Audit Office Manaagement Letter IT 2017/18	- Implementation of IT Audit management responses are planned / in progress - P2020 WBS 4 IT Management workstream is addressing all audit issues and implementing new IT Policy & IT Standards and supporting process improvements
P2020_Risk_015	Council's staff do not have sufficient skills and experience to complete deliverables to required audit standards	That Council's staff do not have sufficient skills and experience to complete deliverables to required audit standards.	Poor quality financial management and accounting resulting in poor quality financial statements, reconciliations and working papers. Incorrect allocations of source transactions and misstatement of financial reports.	All	Matthew Walker	Medium	Medium	- Ongoing training and support to embed the Business process & controls - Monthly financial reporting to Executive - Month end process for anlaysis and reconciliations to control integrity of financial accounts - Ongoing training and support to embed policies - Ongoing training and support to embed positive culture - Independent quality reviews and mentoring of staff - Mentoring of staff - External consultancies to support key deliverables	- Implementation of Monthly Checkpoints within Finance - Implementation of P2020 Checkpoints across key process (inlcuding Asset Management)

ID	Risk Name	Risk Description (Cause)	Risk Impact Description (Effect)	Stream	Owner	Overall Base Risk Rating	Mitigated Overall Risk Weighting	Agreed Mitigation/Action Plan	Current Status/ Update (Actions taken / Audit trail)
P2020_Risk_016	Dependencies are not managed	That Council's BAU and new projects create new audit risks that are not appropriately managed.	Changes to business policy, process and systems can result in increased audit risk as the changes will be audited to a higher / more detailed level. New and /or changes can result in new issues emerging that did not previously exist.	All	Matthew Walker	Medium	Medium	- Ongoing review and risk assessment of dependencies with BAU - Ongoing review and risk assessment of new systems / new processes and or changes risk assessed against P2020 and audit risks	- Dependencies documented and coordinated with Manager Finance - Implementation of P2020 Checkpoints across key dependencies - Ichris - Post Implementation Review (in progress) - Audit Risk Assessment to be conducted - TechnologyOne - Post Implementation Review completed and project scoping in progress - Finance Manager completed Audit Risk Assessment
P2020_Risk_017	External Stakeholders - Council and R&AC do not support approach to remediation	That Council's R&AC and / or Council do not support the approach to not remediate the 2017/18 Financial Statements and accept the premise that remediation will focus on 2018/19 Financial Statements towards reducing the level of audit concerns from Disclaimer to qualified towards a non-qualitfied opinions 2019/20.	Support and understanding of issues and management's responses and clear communication is essential to R&AC and Ccouncil's understanding of the issues driving the current Disclaimer and the reality of the complexity and timeframes required to address the audit issues.	All	Matthew Walker	Medium	Medium	- Ongoing review and risk assessment of dependencies with BAU - Ongoing review and risk assessment of new systems / new processes and or changes risk assessed against P2020 and audit risks	- R&AC reports - Jan, Feb, Mar - Council briefing Feb - 10/04 Council report on 2017/18 Financial Statements

Bayside Council
Serving Our Community

Risk & Audit Committee   23/05/2019

Item No   5.2

Subject   **2017/18 IT Audit of general controls - Management Response Letter to Audit NSW**

Report by   Mark Cleland, Manager Information Technology

File   F17/1404

Summary

Council has received the Interim IT audit management letter as at 30 June 2018. The management letter identifies issues and Audit Office of NSW risk ratings for these items.

Attached to this report is a copy of the management letter incorporating the management response to each issue raised. This response has been submitted to the Audit Office of NSW and appropriate actions to address the identified issues have been incorporated into our Project 2020 project plan and action plan for the IT workstream.

The acting Manager Information Technology will attend the Risk & Audit Committee meeting to address any questions the committee may have.

Officer Recommendation

That the Risk & Audit Committee receives and notes this report.

Background

The management letter from the Audit Office of NSW identified 12 issues, 4 high, 6 moderate and 2 low. A detailed action plan to address the issues has been prepared by the IT business unit and incorporated into the overall Project 2020 project plan.

The following 12 issues and risk ratings were identified in the management letter:

- User access reviews (Risk = High)
- Monitoring of privileged user activities (Risk = High)
- Data migration – iChris and Pathway (Risk = High)
- Password and security controls (Risk = High)
- IT Governance and Policies (Risk = Moderate)
- Access to payment files (Risk = Moderate)
- Journal processing – segregation of duties (Risk = Moderate) **(Completed)**
- Communication of new user passwords (Risk = Moderate) **(Completed)**
- User access management (Risk = Moderate)
- Batch processing into TechOne (Risk = Moderate)
- Incident management procedure (Risk = Low)
- Disaster Recovery Plan (DRP) (Risk = Low)

Of the 12 issues identified above, 2 are completed and the remainder are expected to be significantly completed by the end of August 2019.

Attachments

NSW Audit Office IT Management Letter 2017/18 Management Responses @ May 2019 ⇩

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Interim IT audit management letter

for the year ended 30 June 2018

Bayside Council

INSIGHTS FOR BETTER GOVERNMENT   FINANCIAL AUDIT

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I have rated the risk of each issue as 'Extreme', 'High', 'Moderate' or 'Low' based on the likelihood of the risk occurring and the consequences if the risk does occur.

The risk assessment matrix used is consistent with the risk management framework in TPP12-03 'Risk Management Toolkit for the NSW Public Sector'.

This framework may be used as best practice for councils.

		CONSEQUENCE			
		Low	Medium	High	Very High
LIKELIHOOD	Almost Certain	M	M	H	E
	Likely	L	M	H	H
	Possible	L	M	M	H
	Rare	L	L	M	M

The risk level is a combination of the consequences and likelihood. The position within the matrix corresponds to the risk levels below.

RISK LEVELS		MATRIX REFERENCE
✖	Extreme:	E
❗	High:	H
➖	Moderate:	M
✔	Low:	L

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For each issue identified, I have used the consequence and likelihood tables from TPP12-03 to guide my assessment.

Consequence levels and descriptors

Consequence level	Consequence level description
Very high	• Affects the ability of your entire entity to achieve its objectives and may require third party intervention; • Arises from a fundamental systemic failure of governance practices and/or internal controls across the entity; or • May result in an inability for the auditor to issue an audit opinion or issue an unqualified audit opinion.
High	• Affects the ability of your entire entity to achieve its objectives and requires significant coordinated management effort at the executive level; • Arises from a widespread failure of governance practices and/or internal controls affecting most parts of the entity; or • May result in an inability for the auditor to issue an unqualified audit opinion.
Medium	• Affects the ability of a single business unit in your entity to achieve its objectives but requires management effort from areas outside the business unit; or • Arises from ineffective governance practices and/or internal controls affecting several parts of the entity.
Low	• Affects the ability of a single business unit in your entity to achieve its objectives and can be managed within normal management practices • Arises from isolated ineffective governance practices and/or internal controls affecting a small part of the entity.

Likelihood levels and descriptors

Likelihood level	Frequency	Probability
Almost certain	The event is expected to occur in most circumstances, and frequently during the year	More than 99 per cent
Likely	The event will probably occur once during the year	More than 20 per cent and up to 99 per cent
Possible	The event might occur at some time in the next five years	More than 1 per cent and up to 20 per cent
Rare	The event could occur in exceptional circumstances	Less than 1 per cent

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Summary of Issues

Issue	Detail	Likelihood	Consequence	Risk Assessment
1	User access reviews	Likely	High	⊗ High
2	Monitoring of privileged user activities	Likely	High	⊗ High
3	Data migration - iChris and Pathway	Likely	High	⊗ High
4	Password and security controls	Likely	High	⊗ High
5	IT Governance and Policies	Possible	Medium	⊖ Moderate
6	Access to Payment files	Possible	Medium	⊖ Moderate
7	Journal processing - Segregation of duties	Possible	Medium	⊖ Moderate
8	Communication of new user passwords	Possible	Medium	⊖ Moderate
9	User access management	Possible	Medium	⊖ Moderate
10	Batch Processing into TechOne	Possible	Medium	⊖ Moderate
11	Incident management procedure	Rare	Low	⊗ Low
12	Disaster Recovery Plan (DRP)	Rare	Medium	⊗ Low

Appendix

Review of Matters Raised in Prior Years

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Issue 1: User access reviews

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Likely	High	Yes	Operational	❗ High

User access reviews are a key management control that ensures currency (account belongs to current staff) and appropriateness (access aligns with the users' job responsibilities) of user's access to business applications.

We noted user access reviews have not been performed over the following:

- Applications – TechOne, Pathway, iChris

- Database and servers – TechOne, Pathway, Civica

Additionally, the user access reviews over the legacy Chris 21 systems (Botany and Rockdale) were not sufficiently documented to evidence the performance of the review, follow up actions and approval.

The TechOne and Pathway user role matrix could not be obtained to identify segregation of duties and is a limitation to conduct a review over appropriateness of users.

Implications

The lack of a formal periodic review over user profiles increases the risk of unauthorised access and possible segregation of duties control breakdown.
User managers may not be fully aware of the access capabilities assigned to user profiles within the areas of their responsibility. This could further increase the risk of unauthorised or invalid transactions being processed using these accounts.

Recommendation

User access review is a key management control and should be performed regularly. Management should establish a formal periodic user access review process.

Such reviews should ensure that:

- all active users on the application are current employees

- user access assigned does not exceed the user's job function

- all segregation of duties issues is identified and removed.

- monitor and limit the use of generic and system admin accounts. An owner should be assigned responsibility for the use and actions performed on that account. A generic user IDs register should be maintained including the purpose of the account and the assigned owner.

- evidence of this review should be retained for audit trail purposes.

Management Response

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Agreed.

Council will implement a policy to define the Active Directory as the primary identity system and implement procedures to manage user access including quarterly reporting that identifies exceptions (if any). Monitoring will be applied for all users (employees and non-employees including service contractors) to review and maintain rights appropriate to their role.

- ☐ Users will be identified by category and for non-permanent employee users, then user expiry dates will be established for access.
- ☐ User access information will be reported to Managers on an annual basis and the review retained for audit trail purposes.
- ☐ New access requires manager and system owner authorisation. We will authorize a list of activities where segregation of duties applies and implement procedures to verify and review that access controls are not compromised.
- ☐ Use of generic accounts will be documented and approved by the IT Change Advisory Board substantiated by the business requirements and a risk assessment and sign-off of responsible manager and stakeholders. IMT Steering will receive updates and resolve exceptions.

Person Responsible:	Date (to be) Actioned:
Manager IT	31 July 2019

Sensitive: NSW Government

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Issue 2: Monitoring of privileged user activities

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Likely	High	No	Operational	❗ High

Observation

System activities of super user/high privilege accounts on network [maintenance accounts] and the following systems are not reviewed:

- Application,Databases and servers - TechOne, Pathway & Civica

Audit trail is not set in Pathways application to track the activities. Further, audit noted that Payroll Co-ordinator who performs the payroll functions has system administrator level saccess to create/delete/modify end user accounts] on iChris system. The Payroll Co-odinator's activities are not monitored and reviewed independently.

The Manager Finance and Finance Consultant has been granted with super user access to TechOne, while audit noting their activities are not monitored independently.

Implications

High privileged user activities if not monitored regularly may lead unauthorised changes to the application, system and data. The unauthorised changes may not be identified in a timely manner or be traceable to individual users.

Recommendation

Management should:

- perform a risk assessment to identify the critical business processes, data, administrative functions and security functions that need to be logged.

- Supplementary processes should be developed to ensure adequate and regular reviewing of these privileged user activities by appropriate staff.

- Regular reviews of privileged audit logs should be initiated and appropriate filters defined to record changes to critical data, administration and security function. These security configurations and the review processes should be monitored.

Management Response

Agreed.

Bayside will establish audit processes to review the use of high privilege activities in Core systems and applications and implement the process of regular reviews based on the risk assessment. The results will be reviewed by internal audit on an annual basis.

Note, Civica (Authority) is planned and progressing for decommissioning by 30 June 2019. A review of Civica access will be performed and reviewed prior to the migration to Pathways prior to financial year end for 2018/19.

Council will conduct a risk assessment to identify the critical business processes, data, administrative functions and security functions that need to be logged and will implement the procedures and processes to report to the IT Change Advisory Board. This will ensure sustainable internal control through the use of the change board, audit and access logs or system generated reports to provide before and after reconciliations.

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Change request requiring High User Access need to be logged and approved by the CAB or in the event of emergency approved by the Director and subsequently reported to CAB. Records of changes are to be retained (evidenced), reviewed and reported back to the CAB when required.

Person Responsible:	Date (to be) Actioned:
Manager IT	31 July 2019

Sensitive: NSW Government

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Issue 3: Data migration - iChris and Pathway

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Likely	High	No	Strategic	ⓘ High

Observation

Our review of the data migration projects identified the following control issues:

Data migration of payroll information to iChris.

- Continuously updated risk registers and project issue log for the iChris project implementation was not available

- Project budget monitoring could not be evidenced

- User acceptance testing and signoff for all the business requirements implemented during the project could not be evidenced

- Business decision register was incomplete

- iChris formal go live approval from senior management was not evidenced

- Leave balances are still being reconciled after iChris go-live

- Data was not cleansed adequately before migration. Data cleansing has been performed in the iChris Live environment

- the iChris Post Implementation review has not been undertaken by management.

Data Migration of rates master file to Pathway from Authority.

- Data was not reviewed or cleansed before the migration. This was acknowledged by council in post implementation review.

Implications

Lack of project governance and inadequately managed data migration would result system and process limitations. This could potentially be pervasive within relevant systems and may go unidentified.

In addition, these limitations could lead to increased time and efforts to rectify at a later stage and can have significant financial reporting implications.

Management may not be aware of the reasons for the decisions made, issues from testing or being faced in the project.

Recommendation

We understand that these observations relating to the data migration project cannot be retrospectively addressed; however, they should be considered more broadly across the council to enhance IT project management practices and governance.

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Management Response

Agreed.

IT will put in place business processes and internal controls including change board and security standards that will ensure that Data migration activities are defined and supported by resources and training, for example: checklists, sign-offs and guides and that future implementations include reconciliations and sign-off of data migration.

Significant milestones, such as go live, will be endorsed by IMT.

The IT Change Advisory Board will review and endorse the implementation plans for systems program changes and / or data migration. Data cleansing and correction of data, user acceptance testing (UAT), and access to the production environment will be managed by the project manager. The IT Change Advisory Board will monitor the sign-off and completion of data migration into the system and will oversight the segregation of duties to ensure that separation of the approval, user acceptance testing and promotion of changes to production for both program changes and data migration.

Bayside has commenced a Post Implementation Review on the iCHRIS project. Outcomes and recommendations will be reported to the IMT Steering Committee.

Person Responsible:	Date (to be) Actioned:
Manager IT	30 June 2019

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Issue 4: Password and security controls

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Likely	High	Yes	Operational	❗ High

Observation

Audit noted the following with regards to password and security management:

- Password security settings did not comply with generally accepted practice for network and Chris21 (Botany) [refer table 1 below]

- Audit noted that pathway system administrators have direct logins controlled within the application. They are not required to authenticate to the Pathway system using Active Directory and Auto log on. We noted the passwords parameters are not set in Pathway:

  - Minimum Password Length

  - Maximum Password Age

  - Minimum Password Age

  - Password History

  - Password Complexity

- High privileged users and normal users have same password settings.

- Network audit policies do not comply with recommended setting for best practice. [refer table 2 below]

- DB server security controls do not comply with recommended setting for best practice [refer table 3 below]

- Our analysis over 978 Active network accounts identified:

  - 196 accounts set to password never expire

  - Password not required for 5 accounts

  - 428 generic accounts including 12 test accounts.

Implications

Weak password and network settings increase the risk of unauthorised users accessing the system and its resources. This can compromise the integrity and security of the underlying business applications. Further, it can be difficult and costly to establish accountability over unauthorised transactions.

Generic and test accounts lack ownership, audit trail and accountability and may be used to mask unauthorised activity on the system. This may increase the risk of compromised integrity and security of data and the underlying business application.

Recommendation

Management should

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- establish a password policy considering the criticality of general and super user accounts

- apply appropriate password parameters for the application and supporting infrastructure

- document any configuration deviations and have them approved by management

- ensure 'Test' accounts are only setup on Test/QA systems. If its use is required on live business system, it should be assigned to an individual/position for ownership and accountability. Test accounts on live business system should be disabled once testing is completed

- ensure the use of "generic" accounts are limited and monitored. An owner/position should be assigned responsibility for the use and actions performed on such accounts.

Management Response

Agreed.

Council has implemented password controls in both Active Directory and Pathway and will document the Policy for managing the Active Directory to include the relationship and business process with Pathway password administration maintenance.

Password protocols will be included in the new IT Standards. Configuration changes will be reviewed and signed off by the CAB.

Use of Test / QA accounts in live environments will require approval by the IT Change Advisory Board.

Chris21 systems have been archived and are in read only / enquiry state and will be decommissioned by October 2019.

A Post Implementation Review is currently in progress for IChris, and will review the password synchronisation.

The use of Generic Accounts is being reviewed (refer response to Issue 2) and will be monitored by the IT Change Advisory Board.

Person Responsible:	Date (to be) Actioned:
Manager IT, Coordinator Applications	31 July 2019

Table 1: A comparison of the password setting with the good practice are listed below (exception have been highlighted in yellow):

Password Setting	Good Practice	Network (Users/ Admin)	Chris21 Application (Botany)
Minimum Password Length	6 - 8 characters	8	4
Maximum Password Age	<= 90 days	60 days	0 days
Minimum Password Age	1 day	0 days	0 days
Password History	Minimum 5	6	0
Password Complexity	Enforced	Enabled	Not enforced

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Unsuccessful Login attempts for Lockout	3 – 5 attempts	3 in 5 minutes	5
Account Lockout Duration	Minimum 30 mins	60 min	Not available

Table 2: A comparison of the network audit policy settings with the good practice are listed below (exception have been highlighted in yellow):

Audit Policy	Recommended setting	Settings configured in network
Audit account logon events	Success, Failure	Failure
Audit logon events	Success, Failure	Not configured
Audit system events	Enabled	Not configured

Table 3: A comparison of the database server security settings for Pathway and TechOne with the good practice are listed below (exception have been highlighted in yellow):

Database server Security controls	Recommended setting	Settings on database server [Pathway & TechOne]
Server authentication mode	Windows authentication mode	SQL server & windows authentication mode
Login auditing	Both failed and successful login	Failed logins only
Concurrent connection	Set to number greater than 0 depending on the business requirement	0= unlimited
Remote login	Not allowed	allowed

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Issue 5: IT Governance and Policies

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Possible	Medium	No	Compliance	🟡 Moderate

Observation

Our review over IT governance noted the information security policies are in draft stage.

Further, the following critical policy and standard operating procedures have not been documented:

- Change management procedure for the merged Bayside Council

- Password policy that details the password parameters and account lockout configurations

- IT Risk register is not maintained by the Council.

Implications

Without approved IT security policies and procedures, there are no formal requirements for implementing good security practice to protect the information systems. There is a risk of inconsistent practices and weak controls. This could leave a security weakness that could be exploited, with unauthorised access to IT systems, information or transactions.

Without maintaining a continuously updated IT risk register, council will not be able to identify and track all the IT risk. This would lead to poor risk management and leave the council exposed to IT risks without a formal assessment or response.

Recommendation

Management should

- formalise information security policy and standards governing IT operational requirements

- ensure all staff are informed and aware of these requirements

- Should formulate a risk register, and continuously monitor and update the risks identified.

Management Response

Agreed.

Council will document the IT Security Policy and supporting IT Standards. Council will develop and implement a staff awareness program to be incorporated into the induction and IT communications with system based reminders for system users. This will be supported by ongoing refresher training / reminders.

The Council's Risk Register has been updated for IT risks and the Manager IT will manage and report on risk mitigation actions.

Person Responsible:	Date (to be) Actioned:

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Manager IT   30 July 2019

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Issue 6: Access to Payment files

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Possible	Medium	No	Operational	🟡 Moderate

Observation

Our review over account payable and payroll processing identified;

- Accounts Payable and Payroll payment files are stored on the council's internal drive prior to being manually uploaded into the online banking system. The files are in editable formats and not encrypted or password protected.

- There is an overlap of duties between Payroll and Finance staff for generating, processing and approving EFT files.

- System administrator roles are held within payroll department and segregation of duties are not maintained

Implications

There is a risk of the payment files are edited, before the actual bank upload. This creates a window of opportunity to make unauthorised changes.

A lack of segregation of duties between EFT approval and processing of payments can raise the potential for hiding unauthorised changes.

Recommendation

Management should:

- encrypt or password protect the payment files to prevent modifications

- Ensure segregation of duties in EFT file handling

- Ensure system administration access is restricted to IT to maintain segregation of duties.

Management Response

Agreed.

Interim steps to mitigate this issue have been implemented creating a segregation of duties between who can load the file and who can authorise the file. The delegated users will be roles that are independent of the Payroll function or access in Council's banking system to approve EFT payments / files.

The IChris Post Implementation Review will investigate the functionality for iCHRIS to generate a payment file on a secure Server location where only the delegated users have access.

Person Responsible:	Date (to be) Actioned:
Manager IT	30 June 2019

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Issue 7: Journal processing - Segregation of duties

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Possible	Medium	Yes	Operational	🟡 Moderate

Observation

Audit noted that a system generated list of users based on roles/functionalities to post and review journals within TechOne was not available. Therefore, audit could not evidence segregation of duties over journal processing.

Implications

In the absence of system generated user access matrix (list of users with access granted in the system), appropriate segregation of duties cannot be determined. Management may have conflicts in the processing of journals without any mitigating oversight or control.

Management may be unable to perform user access reviews to periodically assess the appropriateness of access.

Recommendation

Management should build reports for detailing the user role profiles including the respective roles and functionalities. The output of this should be used in the regular user access reviews.

Management Response

Agreed.

It should be noted that from July 2018, that Journal posting workflow controls were implemented in TechnologyOne which ensures segregation of duties. The controls mean that journal postings in TechnologyOne cannot be completed by any one single user. The workflow escalates to the line Supervisor as a mandatory review and approval. If not approved in 48 hours the workflow will escalate to the next line manager.

A report can be run in TechnologyOne to evidence controls over the posting of journals.

Person Responsible:	Date (to be) Actioned:
Manager Finance	Completed

Issue 8: Communication of new user passwords

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Possible	Medium	No	Operational	🟡 Moderate

Observation

We noted the following issues with the setup of new user accounts in Council:

- sensitive details such as user name and password is communicated to the user in a clear text email

- password details are shared with the user's manager.

Implications

Lack of appropriate confidentiality over passwords increases the risk of unauthorised access on the business systems. User accounts could be misused for unauthorised activities and transactions.

Recommendation

We recommend that management ensure:

- sensitive user access details such as passwords should only be communicated to the account holder

- both the username and password should never be communicated in the same email and if possible investigate and implement controls that will prevent sharing of these details in clear text.

- the user account and password should be activated on the employees joining date.

Management Response

Agreed.

All IT staff have been notified that passwords should only be provided to the new users and nobody else, as well as communicated separately from username details.

This is reinforced at regular IT Staff All-Hands meetings, and will be finalised in the Policy / IT Standards documents.

The User Account Password will be activated upon joining date or as approved by an Executive Officer.

Person Responsible:	Date (to be) Actioned:
Manager IT	Completed

Issue 9: User access management

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Possible	Medium	No	Operational	🟡 Moderate

Observation

The following was noted with regards to user access management:

- Formalised process for database and server [Civica, Pathway and TechOne] user access provisioning were not available during the 2017/18 financial year . Audit acknowledges that database and server user access request and approval process started in June 2018

- Council does not have a process to deactivate resigned user's accounts on applications Chris 21 (Botany) and Civica, databases and servers [Civica, TechOne and Pathway] . The accounts get disabled at network level.

- Manager's approval for sampled Pathway user could not be evidenced.

- 19 TechOne user accounts are not synchronising their passwords with Active Directory

- Council does not follow formal and consistent naming conventions when creating a user account on network.

Implications

Inadequate control over the user access administration process increases the risk of unauthorised system access. Active and dormant accounts belonging to terminated users on applications, databases and servers could be used for unauthorised activity and this in turn could create opportunities for fraud and error.

Invalid transactions or activity using these accounts could compromise the confidentiality and integrity of the data stored by the business systems.

In the absence of the TechOne and Active Directory synchronisation, users get direct access to critical financial system in TechOne which has limited password settings. This could result in unauthorised access to critical financial system information.

Lack of formal and consistent naming convention increases the risk of ownership and accountability.

Recommendation

Management should:

- streamline the user access and termination process by establishing policies and procedures, and ensuring these are operational

- IT systems security should be strengthened and all systems authenticating through the network should be synchronised

- For applications that are not authenticated to the network, user accounts should be cleansed for terminated users.

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Management Response

Agreed.

The policy and procedures for creating and managing employee user accounts has been updated and will be reviewed to ensure these procedures are operational.

Active Directory Accounts will be synchronised across applications (where possible) and the IT Policy & Standards will define Active Directory as Bayside Council's Identity system.

Non Active Directory authenticated users – An initial sweep with be conducted for these accounts (19 in TechnologyOne) with Management approval requested. IT will implement a regular review with Business Owners of core systems (not able to be synchronised) to be scheduled for Quarterly attention of the Applications Co-ordinator commencing May 2019, and for non-core systems implement a review with relevant business owners of these non-integrated systems periodically and at least once a year. This is supported by the other control processes over accesses.

Person Responsible:	Date (to be) Actioned:
Manager IT	30 June 2019

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Issue 10: Batch Processing into TechOne

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Possible	Medium	Yes	Operational	🟡 Moderate

Observation

Civica and iChris batch data files for interfaces into TechOne are edited before upload and not reviewed independently for data integrity.

Implications

There is a risk that erroneous / unauthorised changes to source data may go undetected. High level reconciliations may not identify these changes.

Recommendation

Audit recommends that changes should not be made directly to the data files. Changes should be made in the source system and data files should be designed for direct upload.

However, when there are manual changes to source data files for extract, transformation and load processes, the changes should be reviewed by an independent person to ensure data integrity.

Management Response

Agreed.

Civica (Authority) – This system is currently being decommissioned and expectations are that it will be migrated to Pathway (Infor) by close of the 2019 financial year. This is a low risk that has been accepted by Bayside as only the Finance Manager is changing the account number and not financial fields with dollar values. This process is supported by monthly reconciliations of the Trial Balance.

IChris - The Manager Finance has controlled the interface from the IChris system to TechnologyOne and made corrections to the files where the postings could not be recognised by the TechnologyOne Ledgers. This is a limited practice due to lack of practical time fames to regenerate the file. A process to improve segregation of duties ie to separate the file initiation, file amendment, and file payment transfer will be developed and implemented. With the process to include documentation of the approval and logging of the corrections which are then to be reported to the Director of City Performance.

A monthly reconciliation process is being implemented to review posting issues between IChris and TechnologyOne. A process to document and have a second reviewer will be implemented into the Payroll Weekly Reconciliation process which will be reviewed by the Manager POC and Finance.

Council will investigate options to develop a process where Batch files load only directly to a secured Server location that Staff representatives do not have access, from which the TechnologyOne system will auto upload that batch file, and where all corrections to the files are made directly in the Source System (IChris) and flow through to the financial ledgers.

Council will investigate options on Council's banking systems to verify source file integrity.

Person Responsible:	Date (to be) Actioned:
Manager POC (Ichris)	30 June 2019
Manager Finance (Civica)	

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Issue 11: Incident management procedure

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Rare	Low	No	Operational	⊘ Low

Observation

Incidents are not reviewed and reported for critical key performance indicators such as root cause analysis over exceptions, breaches or attacks and cyber vulnerability trends.

Implications

Lack of review over incidents would lead to increased time and effort in resolving critical incidents at later stage. Tracking and analysing the occurrence and frequency of incidents and resolution times could improve operational efficiency.

Recommendation

Management should formalise a governing incident management procedure including processes for identifying, assessing and responding to security incidents.

This may also incorporate any pre-defined actions approved by management, learning and review process and the RACI matrix defining responsibilities for security incidents across ICT. All staff must be informed and aware of the process.

Management Response

Agreed.

Council will review and implement an Incident Management Procedure through the IT Service Desk including periodic reporting and classification of incidents and identify corrective actions arising.

The incident management standard will be included in the IT Standards and endorsed under Policy.

Person Responsible:	Date (to be) Actioned:
Manager IT	30 July 2019

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Issue 12: Disaster Recovery Plan (DRP)

Likelihood	Consequence	Systemic Issue	Category	Risk Assessment
Rare	Medium	No	Operational	✅ Low

Observation

We noted lessons learnt from the last disaster recovery test (February 2018) are not incorporated in the current IT disaster recovery plan.

Implications

Without incorporating lessons learnt from disaster recovery testing, Council may not be able to achieve efficiencies to be gained in subsequent recovery procedures.

Recommendation

Management should review the results for any learnings/efficiencies to be gained for incorporation into subsequent recovery procedures. The Disaster Recovery Plan should then be updated.

Management Response

Agreed.

Lessons learnt from the Disaster Recovery Test in February 2018 were captured and discussed, however at the time of this audit these were not incorporated into the Disaster Recovery Plan due to the planned migration to GovDC, which was originally scheduled for completion in October 2018, now June 2019.

IT have since updated the lessons learnt and will incorporate relevant information into the update to the IT Disaster Recovery Plan to be approved by the IMT Steering.

Person Responsible:	Date (to be) Actioned:
Manager IT	30 August 2019

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Appendix

Review of matters raised in prior year management letters

The issues in this appendix were raised in previous management letters but remain relevant in the current year. For each of these issues, I have determined:

- how management has addressed the issue in the current year
- what management still needs to do to address unresolved issues.

Prior Issues Raised	Risk Assessment	Assessment of Action Taken	Recommendation
Management and review of user access to systems	High	Further issues identified this year	Refer to Issue 1
Password and Security Configurations	High	Matter has not been addressed by Management	Refer to Issue 4
Lack of system change management policies and documentation	High	Matter has not been addressed by Management	Refer to Issue 5
Lack of processes for user access management	High	Matter has not been addressed by Management	Refer to Issue 9
Lack of IT Security Policies and Governance	Moderate	Matter has not been addressed by Management	Refer to Issue 5
Monitoring of high privileged users	Moderate	Matter has not been addressed by Management	Refer to issue 2
Lack of backup policy and disaster recovery plans for systems	Moderate	Matter has been partially addressed by management. Further issues raised this year	Refer to issue 12

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Risk & Audit Committee   **23/05/2019**

Item No	5.3
Subject	**Audited 2017/18 Financial Statements & Audit Reports**
Report by	Matthew Walker, Manager Finance
File	F09/744.002

Summary

Council provided the draft 2017/18 Financial Statements, with a signed statement by Councillors and Management prepared under the basis of a disclaimer of opinion in accordance with Project 2020 to its auditor on 11 April 2019. These financial statements were prepared on the basis of timeliness over quality, with the possibility of adjustments being made prior to the finalisation and lodgement with NSW Office of Local Government by 31 May 2019.

As part of the accounting estimates and judgements paper provided to the Auditor there was an issue identified as an error, being the inclusion of a major project (Ramsgate Town Centre) upgrade being disclosed as Non-Depreciable Land Improvements and that this would require further review.

A quality review has also continued since providing financial reports to the Auditor and in particular a focus on the multiple system processing that occurred previously that has been made transparent since the loading of Civica Balances as at 30 June 2018 into TechnologyOne.

These adjustments will be summarised and provided to the Auditor with a revised set of draft 2017/18 Financial Statements to enable finalisation and receipt of the audit opinion and reports. As the final adjustments are still being compiled and agreed with the Auditor at the time of writing this report, the final adjustments will be provided to the Risk & Audit Committee as a supplementary report for the 23 May 2019 meeting.

The Audited 2017/18 Financial Statements will be presented to the June 2019 Council meeting and if available, the Risk & Audit Committee Chair and Members are invited to attend.

Officer Recommendation

1   That the report be received and noted.

2   That the Risk & Audit Committee Chair and Members be invited to the June 2019 Council meeting for the presentation of the Audited 2017/18 Financial Statements.

Background

Council provided the draft 2017/18 Financial Statements, with a signed statement by Councillors and Management prepared under the basis of a disclaimer of opinion in accordance with Project 2020 to its auditor on 11 April 2019. These financial statements

were prepared on the basis of timeliness over quality, with the possibility of adjustments being made prior to the finalisation and lodgement with NSW Office of Local Government by 31 May 2019.

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These adjustments will be summarised and provided to the Auditor with a revised set of draft 2017/18 Financial Statements to enable finalisation and receipt of the audit opinion and reports. As the final adjustments are still being compiled and agreed with the Auditor at the time of writing this report, the final adjustments will be provided to the Risk & Audit Committee as a supplementary report for the 23 May 2019 meeting.

Attachments

Nil

Bayside Council
Serving Our Community

Risk & Audit Committee   23/05/2019

Item No	5.4
Subject	**Final Cash Handling Audit Report**
Report by	Natasha Balderston, Internal Auditor
File	F12/156.002

Summary

BDO completed an audit on Council's cash handling processes and identified significant areas of weaknesses. As a result, Council's cash handling processes were deemed High Risk. Eight issues were identified and a corresponding 27 recommendations were made to assist in closing the existing gaps. Relevant Managers have responded to the recommendations with comments, actions and timeframes.

Officer Recommendation

That the Risk & Audit Committee receives and notes the final internal audit report on Cash Handling.

Background

As part of the FY 2018/19 audit plan, a cash handling audit was undertaken by BDO. The purpose of the review was to determine how embedded the cash handling business control and improvement process was within the organisation, identify areas for improvement and provide recommendations to close process gaps.

The primary areas involved in this audit were Customer Service, the Libraries, Aged & Disability Services, Botany Golf Course and Botany Aquatic Centre. The audit identified eight issues and they were as follows:

1   Separation of duties/dual controls may not always be adhered to.

2   Physical access and physical controls are deficient in some instances.

3   More controls required to minimise cash holdings.

4   Money laundering and counterfeiting risks are not managed.

5   Cash handling controls at Libraries require improvement.

6   Cash handling controls in relation to Aged & Disability Services require improvement.

7   Cash handling controls at Botany Golf Course require improvement.

8   Cash handling controls at Botany Aquatic Centre require improvement.

As a result of the above findings, Council's cash handling practise was rated High Risk.

27 recommendations were made to remediate the above issues. Managers from the relevant sections were given the opportunity to provide management comments and provide an action

plan on how they would implement these recommendations. The agreed actions will be entered into the corporate reporting system PULSE, monitored and reported on.

It is important to note that Aged & Disability is in the process of discontinuing the Meals on Wheels program. It is expected to be out of the business by the end of the financial year and at that point, neither the findings nor the recommendations associated with this business area will remain relevant. However, while the program still sits within Council, and Council continues to provide this service, it is important that at least interim measures are implemented to ensure proper handling of cash.

Discussions with the Managers in the relevant business areas highlighted it would be useful to better understand the business control and improvement process that was completed for cash handling and provide staff with the necessary training to understand how to embed good cash handling practices within their businesses.

There has been significant progress made on implementing these recommendations and the Manager Customer Service will be present at the Committee meeting to discuss this progress. Additionally, the Manager Sport & Recreation has advised that a majority of his recommendations have been implemented as per audit suggestions. Internal Audit will verify and confirm the implementation of these recommendations as part of its 2019/20 audit plan.

A copy of the final cash handling audit report, with management comments are attached.

Attachments

Final Internal Audit of Cash Handling - April 2019 ⇩

Bayside Council ("Bayside")

Internal Audit of Cash Handling

February 2019

BDO

BDO

DISTRIBUTION

Party	Title
Bobbi Mayne	Manager Customer Experience - Libraries & Customer Service
Michael Mamo	Director City Performance
Debra Dawson	Director City Life
Fausto Sut	Manager Governance & Risk
Sean Pascoe	Partner, BDO
Steve Kent	Associate Director, BDO /Acting CAE Bayside Council

Bayside Council – Internal Audit of Cash Handling - February 2019

2

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TABLE OF CONTENTS

Bayside Council – Internal Audit of Cash Handling - February 2019

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3

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Inherent Limitations

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

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

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

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

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the Statements and representations made by, and the information and documentation provided by Bayside 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 10 January 2019 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 – Internal Audit of Cash Handling – February 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

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1.   EXECUTIVE SUMMARY

1.1.   Background

This internal audit was undertaken as part of Bayside Council's (Bayside) Approved Internal Audit Plan for the year ending 30 June 2019.

Cash is held and received for revenue transactions at numerous Bayside facilities. Being a liquid asset, dealing with cash in business operations has an inherently higher risk of misappropriation, a concern that has been raised by the Executive. A cash handling policy and procedure has recently been implemented at Bayside to manage financial and fraud risk. However, this procedure is primarily being applied only at the Customer Service Centres.

1.2.   Objective and scope

The objective of this internal audit was to assess the design and effectiveness of internal controls that manage key risks associated in handling and managing of cash at Bayside.

This was achieved by assessing:

- The control framework, including relevant, documented policies and guidelines; roles and responsibilities; separation of duties.

- Compliance with the current cash handling procedure.

- Processes, systems and records utilised for cash receipting and maintenance, collection by security agency, banking of cash, recording of cash transactions, accounting and reconciliation.

- Physical security over cash, access to cash held on premises and safety of staff.

- Monitoring and reporting of cash transactions and balances.

- Controls in place to ensure that services provided have been paid.

The scope of the internal audit included physical cash handling and security at the following locations:

- Customer Service Centres at Rockdale and East Gardens.

- Aged and Disability Care Service (Meals on Wheels).

- Botany Golf Course.

- Botany Aquatic Centre.

- Libraries (excluded in SOW but now included per request).

Exclusions from the scope and the rationale for exclusion are:

- Petty Cash at all locations, including petty cash at Child Care and Family Day Care Centres (Hillsdale, Mascot, Botany)

- Electronic Fund Transfers (focus is on physical cash management and handling).

- The Bexley Aquatic Centre (contracted to third party).

- Squash Courts and Tennis Courts at Mutch Park (the sites no longer accept cash).

1.3.   Approach

The following approach was undertaken during the internal audit:

- Held a kick off meeting with key stakeholders;

- Obtained an understanding of the cash handling framework, processes and systems;

- Interviewed relevant staff and review relevant documentation at each of the in scope locations (refer **Appendices A and B**);

- Developed a risk and controls matrix to identify any gaps in risk management and to assess the design and operational effectiveness of controls;

Bayside Council – Internal Audit of Cash Handling – February 2019

5

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- Developed and performed an appropriate test program designed to provide reasonable assurance over the operation of controls;
- Identified control deficiencies and developed recommendations for improvement, including risk rating findings (refer **Appendix C**);
- Conducted an exit meeting with relevant Council's staff following completion of the fieldwork to discuss:
  - Our findings;
  - Recommendations for control improvements in relation to those findings; and
  - Management's response to our findings and recommendations; and
- Completed draft and final reports.

1.4. Summary of key findings

Cash handing processes and controls at Bayside are varied and each business unit has developed systems and processes to cater for their structure, business line and number of staff. While all business units visited demonstrated some alignment with the Cash Handling Policy and Procedure, there is scope for improvement by raising awareness and ensuring compliance with the principles of the Policy. Key findings are as follows:

- There is substantially effective compliance with the Cash Handling Policy and Procedure and substantially effective controls have been designed and are operationally effective. However, there are some aspects that need to be addressed to strengthen supervisory review, separation of duties, dual control and physical security.
- While separation of duties and dual controls have been effectively implemented at Customer Service Centres, these controls have not been effectively implemented at other service areas, mainly due to limited staff in those areas. Also, separation of duties and dual controls may not always be adhered to as was evident through our sample audit testing.

These exposures may give rise to financial loss due to errors or misappropriation not being identified (Risk: Low).

- Physical security and physical controls have been implemented. However, some aspects, such as securing off Cashier's areas, access to Cashier's area and strong room, type and operation of Anti-Theft shutters and availability and placement of surveillance cameras and signage are deficient. This may lead to financial loss due to theft, Injury, death in the event of a robbery going wrong (insecure cashiering areas) and lack of protection from irate customers (Risk: Extreme).
- Money Laundering and Counterfeiting risk are not managed. While Councils are not a designated service, nor required to undertake (Know Your Customer (KYC) procedures under the AML/CTF Act, there is the risk that money may be laundered through Bayside. This risk has also been raised in the Cash Handling Process and Operational Procedures. However, our review and discussions established that there were no processes in place to identify, record and report any suspicious, significant or irregular cash payments by individuals (to enable Bayside identify any unusual patterns). Also, notes are not reviewed for authenticity by cashiers to ensure they are not counterfeit (Risk: Extreme).
- Cash handling controls at Libraries, Aged Care and Disability Services, Botany Golf Course and the Aquatic Centre require improvement. A common theme that was identified was a lack of supervisory review and dual controls over cash handling and controls have not been implemented to ensure there is a reconciliation between "sales" made, cash collected, cash register reports and physical cash on hand (Risk: Medium).

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

1.5. Overall Risk Rating

High: This is based on the overall inherent operational risks in Cash Handling and the risks identified that range from Low (4), High (2) and Extreme (2).

BDO

Each of these risks have been assessed using Bayside's Risk Matrix, Likelihood and Consequence tables that have been included in **Appendix C**.

1.6.   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.

1.7.   Report clearance

The contents of this draft report have been discussed and agreed with Bobbi Mayne, Carol Hudson, Lisa Marschall, Tara Payne and Sue Matthews.

Yours sincerely

Sean Pascoe

Sean Pascoe

Partner, BDO Risk Advisory

BDO

Detailed Findings

2.   DETAILED FINDINGS

2.1.   Separation of Duties / Dual Control may not always be adhered to

Risk Rating	Low

Observations

During our discussions, enquiry, observations and audit testing, the following observations were made at Customer Service Centres:

- While on most days, an "end of day (EOD) balancer"/ supervisor is rostered on to review a cashiers' cash drawer dissection sheet, having a supervisor present on weekends cannot be consistently be arranged. In addition to this exposure, during audit testing, we identified the lack of a secondary signature on the Drawer Cash Dissection Sheets on numerous occasions. This is primarily caused by an EOD Balancer/Supervisor not being rostered on or is absent and not on site. Also, a second signatory (2nd Cashier) may not always sign off the review of the cash count as a Cashier may be rostered up to say 3:30pm and the Customer Service Centre Area closes at 4:30pm, leaving only a single Cashier present.

- Reversals of cash receipts can individually be made on the Pathways system without a secondary sign on. Also, reversals of receipts are not always signed off by a supervisor on Pathways. Discussions with the Team Leader Customer Service indicated that the Supervisor would review the reversal at the time of transacting. While any reversals made are printed on the Pathways EOD report (available for an EOD Balancer/Supervisor to review and approve/sign), the lack of an EOD Supervisor on site on occasions, dilutes this manual control. Sample audit testing of EOD documentation identified a reversal that was not supported by a Pathways Receipt and supervisory review.

- Each Cashier has an individual login on Pathways and an audit trail of transactions for a sign on is available. Discussions with the Team Leader Customer Service indicated that a short break replacement Cashier will continue to use a rostered Cashier's sign on. This is caused by the requirement for the rostered cashier to close off and balance cash each time, prior to a replacement cashier being able to sign in, which becomes a very onerous task. However, accountability is diluted due to this.

- The Bank Deposit Summary Report was found to contain only 1 Cashier/Supervisor's signature/name. In one instance, no signature was found.

- We noted that the Cash Dissection Sheets and the Bank Deposit summary report simply contained names, rather than actual signatures.

- As per the Cash Handling Policy and Procedure, access to the Strong Room, Key Safe and Main Safe requires 2 staff to be present during any cash handling operation. The Key Safe is secured by individual PINs and the Main Safe is secured by a common PIN and a key that is secured in the Key Safe. However, we noted that access to the Strong Room is available to a number of staff at Rockdale and Eastgardens **individually**. Also PINs (Rockdale) or key (EG) to the key safe and the PIN (Rockdale and Eastgardens) to the Main Safes are available to the **same individuals**. These matters dilute the intended dual control over cash handling.

Bayside Council – Internal Audit of Cash Handling - February 2019

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8

BDO   **Detailed Findings**

Observations

The Team Leader Customer Service (TLCS) who is the PIN Administrator also has knowledge of all individual PINs for the Rockdale Key Safe. However, the TLCS is evaluating a solution that will allow individuals to reset their own PINs.

The above arrangements do not provide for the proper enforcement of dual control.

(NB. Quotes have been obtained for implementing dual swipe access to the Strongroom at the Rockdale CSC).

Risks/Implications

- Cash may be misappropriated due to unauthorised reversals, lack of dual control (and enforcement of dual access).

- Errors made in cash handling are not identified as was evident in one instance where the Cash Dissection sheets was incorrectly computed. Albeit extremely minor, the error had been identified during the EOD procedures and Cash Count by the supervisor and cash was accurately banked.

- Accountability is diluted due to multiple cashiers using a single Pathways' sign on.

Recommendations

R1. The process for dual control/separation of duties over cash receipts, cash balancing, opening and closing procedures, cash reversals, cash counting, operation of the Main Safe, Key Safe and the Drop Safe, banking and reporting should be reinforced. The operation of dual control should be evidenced on all EOD documentation by dual signatures.

R2. To ensure accountability, there should be appropriate signatures on the Cash Dissection Sheets, as well as the Bank Deposit Summary report, not simply the names of the Cashiers/Supervisors

R3. A preventive control should be investigated to manage cash reversals over a threshold. For example, a system solution could require a second supervisory sign-on to be made to allow a reversal of a receipted transaction.

Bayside Council – Internal Audit of Cash Handling - February 2019

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Detailed Findings

Recommendations

R4. A register should be maintained to record a replacement cashier, drawer number, date and time on and off and signatures of both cashiers to maintain accountability for receipting transactions. Alternatively, a system solution should be investigated.

R5. Whilst being operationally onerous, Bayside should investigate options to split access to the Main and Key Safes between staff and implement dual swipe access to the strongrooms.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R1. Noted. Meetings have been held and actioned commenced with staff to; a) Ensure, check and monitor the dual review and entering of names and signatures for EOD Cash Draw Dissection Sheets. Ensure, check and monitor Bank Deposit Summary Reports have both name and signature of both cashier and supervisor.	Team Leader Carol Hudson	Commenced from 6 March 2019
R2. Noted. Meetings have been held and actioned commenced with staff to; a) Ensure, check and monitor the dual review and entering of names and signatures for EOD Cash Draw Dissection Sheets.	Team Leader Carol Hudson	Commenced from 6 March 2019

Bayside Council – Internal Audit of Cash Handling - February 2019

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10

BDO   **Detailed Findings**

b) Ensure, check and monitor Bank Deposit Summary
    Reports have both name and signature of both cashier
    and supervisor

R3.	Senior Customer Service Officer – Rosemarie Kosta	31 May 2019
Noted. Meetings have commenced with CS Leadership Group to review and ensure there is a solution that ensures a strict discipline and audit trail for supervisor to review and sign off on reversals.		
R4.	a) Senior Customer Service Officer – Julie Downey	Interim solution - 29 March 2019
Noted and will implement. Manager Customer Experience will explore a more modern cashier system to address this matter.	b) Senior Customer Service Officer – Gary Nehme	Feasibility on a Permanent solution by December 2019
a) Develop, implement and maintain a register to record a replacement cashier, drawer number, date and time on and off and signatures of both cashiers to maintain accountability for receipting transactions.		
To investigate and implement where feasible cashier system and infrastructure that only assigns the cashier to the individual staff members rostered on. IE no sharing of cashiers.		
R5.		
Noted. Solutions are being explored with CS Unit and IMT Unit.		

Bayside Council – Internal Audit of Cash Handling - February 2019
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Detailed Findings

a) Ensure 2 staff members are always present when entering safes

b) To investigate and install CCTV in the strong rooms.

c) To investigate and source quotes to modify and/or replace the safe at Rockdale & Eastgardens to meet functional and security requirements. Incudes Pin access, Pin resetting and to enable separate tils to be securely stored.

a) Team Leader – Carol Hudson and Senior Customer Service Officers – Julie, Gary and Rosemarie

b) Manager Customer Experience – Bobbi Mayne

c) Senior Customer Service Officer - Gary Nehme

a) From 6 March 2019

b) Investigation completed by 31 March 2019

• If feasible CCTV to be installed by end of May 2019.

c) By October 2019

12

BDO

Detailed Findings

2.2. Physical Access and Physical Controls are deficient in some instances

Risk Rating	Extreme

Observations

The following observations were made during our review of physical security arrangements at Rockdale (R) and Eastgardens (EG) Customer Service Centres:

- (R) Cashiers area is not secured off. Glass barriers have not been installed in the front of the cashiering and planning areas and there is an ability for an intruder to easily jump over the desk. Access to the Cashiers area from the library is available to ALL council staff. Access to the call Centre is through the Cashiers Area and is used as the main thoroughfare into the Call Centre. Development and Planning staff are also located within the Cashiering area.

- (EG) Cashiers area is not secured as it is in an open plan environment. Also, as it is open plan, there is an ability for an intruder to easily jump over the desk/barrier. Discussions with the Team Leader Customer Service indicated that the cash is predominantly used by residents in the area and staff safety is of concern.

- (R) In addition to Cash Handling staff who have access to the Strong Room, planning staff have access to it to temporarily store confidential and important documentation prior to it being sent for secure/safe keeping. However, this is compensated by access to the Main and Key safes being restricted.

- (R) Anti-theft shutters are manually operated and while generally locked and unlocked by a key from the outside, it can be pulled down and locked with a key from inside. However, discussions with the Team Leader Customer Service indicated that the height of the of the shutter in open position, the strength required to pull it down and the difficulty in turning the key, prevents a timely closure of the shutters.

- (R & EG) At Rockdale CSC, there are 3 surveillance cameras in the Customer Service Area. Similarly, at Eastgardens CSC, there are multiple surveillance cameras that operate in the Library and Loading Bays. There are none in the Cashier's areas or strong rooms at either site.

- (R & EG) Tills are key operated and do not open automatically when cash is being transacted. There is no process/policy in place for the Cashier to take the key out of the till when not present at the counter. At Rockdale, keys remain permanently in the tills. At Eastgardens, the key is removed and placed in the gap between the desk and till when the Cashier is away from the counter.

- (EG) The Key Safe at Eastgardens is key operated and the key to the Key Safe that contains the Main Safe and Drop Down Box key is kept hidden on a shelf in the strong room. This provides individual access to the strong room and all the safes.

- (R & EG) There is inadequate signage or improperly placed signage to alert customers of the presence of security surveillance cameras and other anti-theft screens.

- (EG) Eastgardens have personal duress alarms, but these remain unused due to faulty/incorrect operation when they are taken outside the CSC. There is no apparent policy making them mandatory.

BDO

Observations

- (R & EG) A key register for the safes has not been developed. While the spare key for the Eastgardens Main Safe and the Drop Down box is retained in the Rockdale Key Safe, discussions Team Leader Customer Service indicated that the spare keys for the Rockdale Main and Drop Down safes are missing.

Risks/Implications (Likelihood= Possible; Impact=Extreme HR Impact - safety); Risk=Extreme

- Financial loss due to theft.
- Injury, death in the event of a robbery going wrong (insecure cashiering areas).
- Lack of protection from irate customers.

Recommendations

R6. "The physical environment where cash is stored and received needs to be professionally designed to maximise the physical controls over the cash"-*Cash Handling Process and Operational Procedures – December 2018*. Based on the above observations our recommendations are as follows:

- Management should perform a risk/threat assessment of the access to and physical security of the cashiering areas to identify additional controls required to ensure safety and security of staff and assets. For example, improvements may be needed in the form of improved enclosures for the Cashiering areas, in particular at Eastgardens CSC which is open plan. Similarly, further limiting access to the strongroom may be considered.
- Consider upgrading anti-theft shutters to electronically operated ones or manual ones that automatically lock when brought down (without the use of a key to lock).
- There would be merit in installing surveillance cameras in the cashiering areas and strong rooms, particularly as there are large volumes of cash being transacted during rates payment periods. However, employee dissatisfaction and perceptions of lack of trust would be matters for consideration in implementing this recommendation.
- Consider going cashless, if an open plan environment is essential - Eastgardens

Bayside Council – Internal Audit of Cash Handling - February 2019

14

BDO

Recommendations

- Policy and procedure should be implemented over the removal of keys when CSC counters are unattended. Consider converting the tills to those that automatically open when performing a cash transaction.

- There may be merit in upgrading the Key Safe at Eastgardens to a PIN operated model, similar to that at Rockdale CSC.

R7. Signage should be improved and should alert customers to the presence of surveillance cameras, anti-theft screens, where no cash is held on site e.g. Child Care, Tennis Courts etc. Signage should request customers / cash couriers to remove helmets.

R8. A policy and procedure should be developed and implemented in relation to the wearing, and use of personal duress alarms. Staff should be made aware of the use of personal duress alarms.

R9. A key register should be developed to record location and ownership. The locks of the Rockdale Main Safe and Drop Down Box should be changed as spare keys have gone missing.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R6. Noted and agree. a) To engage a specialist to perform a Risk/Threat Assessment of the Cashiering areas at Rockdale and Eastgardens to ensure they have adequate controls, systems and infrastructure for the safety and security of staff and assets.	a) Manager Customer Experience - Bobbi Mayne	a) Assessment completed by September 2019. Implementation of recommendations where feasible and subject to funding to commence 2020/2021 Financial year.

Bayside Council – Internal Audit of Cash Handling - February 2019

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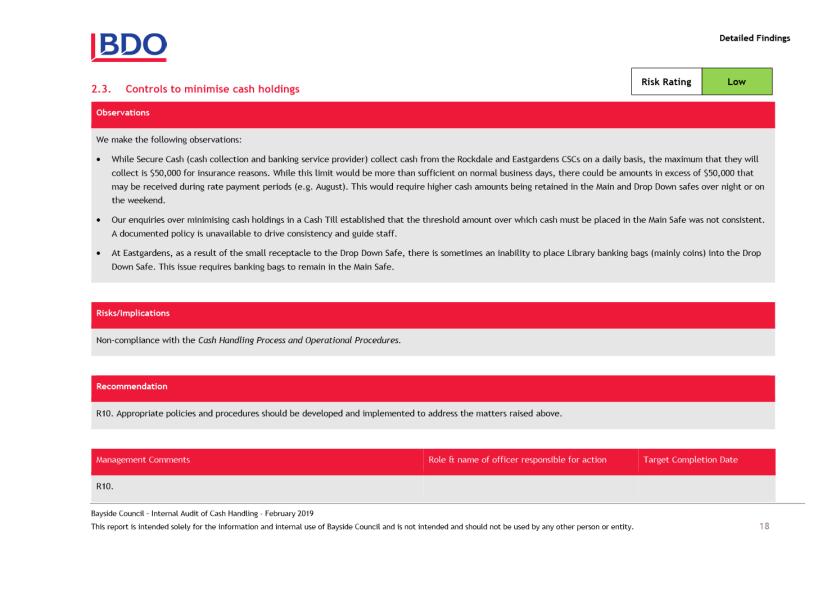
15

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b) The investigation to replace of anti-theft shutters at Rockdale to be conducted. The installation of anti-theft shutters at Eastgardens will be dependent on the outcome of the risk / threat assessment to be conducted.	b) Manager Customer Experience – Bobbi Mayne	b) Investigation completed by September 2019. Outcome to be implemented from October 2019 subject to funding.
c) To investigate the installation CCTV into the strong rooms.	c) Manager Customer Experience – Bobbi Mayne	c) Investigation to be completed by 31 March. If feasible to be installed by end of May 2019.
d) To investigate and source quotes for the modern tils that automatically open when performing a cash transaction. Implement new til system subject to funding.	d) Senior CS Officer – Gary Nehme	d) Quotes sourced and report to the Executive Committee (if applicable) by 30 September 2019 Implementation to be determined subject to funding and Executive Approval. If approved and funded - A project plan will be developed to implement new system.
e) To investigate and source quotes to modify and/or replace the safe at Rockdale & Eastgardens to meet functional and security requirements. Pin access and to enable separate tils to be securely stored.	e) Senior CS Officer – Gary Nehme	e) By October 2019

Bayside Council – Internal Audit of Cash Handling - February 2019

16

BDO

Detailed Findings

R7.

Noted and agree

a)	Interim Signage to be installed	a)	Senior Customer Service Officer – Rosemarie Kosta
b)	Permanent solution to be considered once Harm Assessment of counter / cashier areas has been completed – refer to R6	b)	Manager Customer Experience – Bobbi Mayne

a) Interim signage installed 30 June 2019	
b) In accordance with the outcome of harm assessment to be conducted.	

R8. Noted. Assess duress alarms and implement adequate solution, training, protocol and procedures to support staff.	Team Leader Carol Hudson	By July 2019
R9. Noted Ensure there is a key register that is maintained and the spare keys are available and secured with a business unit outside CS.	Team Leader Carol Hudson	By 30 April 2019

17

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2.3.   Controls to minimise cash holdings

Risk Rating	Low

Observations

We make the following observations:

- While Secure Cash (cash collection and banking service provider) collect cash from the Rockdale and Eastgardens CSCs on a daily basis, the maximum that they will collect is $50,000 for insurance reasons. While this limit would be more than sufficient on normal business days, there could be amounts in excess of $50,000 that may be received during rate payment periods (e.g. August). This would require higher cash amounts being retained in the Main and Drop Down safes over night or on the weekend.

- Our enquiries over minimising cash holdings in a Cash Till established that the threshold amount over which cash must be placed in the Main Safe was not consistent. A documented policy is unavailable to drive consistency and guide staff.

- At Eastgardens, as a result of the small receptacle to the Drop Down Safe, there is sometimes an inability to place Library banking bags (mainly coins) into the Drop Down Safe. This issue requires banking bags to remain in the Main Safe.

Risks/Implications

Non-compliance with the *Cash Handling Process and Operational Procedures*.

Recommendation

R10. Appropriate policies and procedures should be developed and implemented to address the matters raised above.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R10.		

Bayside Council – Internal Audit of Cash Handling - February 2019

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Noted		
a) Review and include cash holding thresholds, cash holding and collection protocols and procedures in the Cash Handling Business Process and Controls Document that was adopted by the Executive in December 2018.	a) Team Leader Carol Hudson	a) By July 2019
b) Ensure staff Implement revised Cash Holding Thresholds, cash holding and collection protocols and procedures	b) Team Leader Carol Hudson	b) From August 2019

BDO

Detailed Findings

2.4.   Money Laundering and Counterfeiting risks are not managed

| Risk Rating | Extreme |

Observations

While Councils' are not a designated service, nor required to undertake KYC procedures under the AML/CTF Act, there is the risk that money may be laundered through Bayside. This risk has also been raised in the *Cash Handling Process and Operational Procedures*. However, our review and discussions with the Team Leader Customer Service established that there were no processes in place to identify, record and report any suspicious, significant or irregular cash payments by individuals (to enable Bayside identify any unusual patterns). Our discussions also established that there were no limits placed on the amount of cash that can be accepted and anecdotally, there have been cash receipts in excess of $10,000. There is no policy, guidance or training to staff in relation to the value of cash that can or cannot be accepted and recording details of individuals/companies who regularly pay in cash.

Our review also identified that notes are not reviewed for authenticity by cashiers to ensure they are not counterfeit. Cashiers were unaware of any review required to be performed. Cashiers are not trained to identify suspect notes.

Risks/Implications

- Reputation damage if any money laundering incident occurred due to the lack of processes to identify suspicious, significant or regular cash payments by individuals or companies.

- Financial loss.

- Non-compliance with the Cash Handling Process and Operational Procedures.

Recommendations

R11. Develop and implement a policy and procedure to identify, record and report suspicious, significant or irregular cash payments. Similarly, processes and training for identifying counterfeit notes should be developed and provided to staff.

R12. Consider going cashless or disallowing cash transactions in excess of a threshold.

Bayside Council – Internal Audit of Cash Handling - February 2019

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20

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Management Comments	Role & name of officer responsible for action	Target Completion Date
R11. Noted a) Develop and implement a policy and procedure to identify, record and report suspicious, significant or regular cash payments. b) Investigate and provide training and guidelines for staff for identifying counterfeit notes.	a) Manager Customer Experience – Bobbi Mayne b) Manager Customer Experience – Bobbi Mayne	a) Develop and implement by June 2020 b) Develop and implement by June 2020
R12. Noted a) Explore with IMT Unit the increase in on line payment options to further reduce cash transactions. b) Determine cash transaction threshold and implement a strategy to enforce the threshold limit.	Manager Customer Experience – Bobbi Mayne Team Leader – Carol Hudson	By June 2019 By June 2019

BDO

2.5. Cash handling controls at Libraries require improvement

Risk Rating	High

Observations

Rockdale, San Souci, Brighton, Arncliffe, Bexley, Bexley North, Mascot

There is a lack of supervisory review and dual controls over cash handling at Bayside's Libraries (Branches). Additionally, controls have not been implemented to ensure there is a reconciliation between "sales" made, cash collected, cash register reports and physical cash on hand.

The above is based on the following observations:

- At Branches, multiple staff have access to the cash register that is operated individually. Hence accountability over the accuracy of cash receipting cannot be assigned, more so if any cash discrepancies are identified.

- As banking of cash receipts is weekly (5 Branches), fortnightly (1 Branch) and Monthly (2 Branches), cash received including the float, is retained in a standalone Cash Register. However, the Daily Cash Receipting Report (Z1) is run daily and retained in the cash register till. This daily process is performed by a Library Assistant individually at end of day. There is no opening or closing cash procedure performed to confirm opening and closing cash on a daily basis i.e. after the daily cash report (Z1) is run there is no daily reconciliation of physical cash in the Register.

- A Library Assistant individually prepares the weekly banking bag using the Weekly Cash Report from the Cash Register, counts the cash and prepares and signs the Library Cash report. It should be noted that cash also includes cash from other cash collection points at the Branch e.g. printers, copiers, kiosks. The Library Cash Report and the cash are placed in a tamper proof zip locked bag and a contracted courier delivers them to the Network Librarian at Rockdale.

- The Network Librarian is responsible for consolidating cash received from the Branches, confirming the accuracy of the cash sent with the Library Cash Report, preparing the CBA banking bag and ensuring that the CBA banking bag is securely placed in the Rockdale CSC's Drop Down Safe. The Library Cash Report is signed by the Network Librarian as evidence of fulfilling this responsibility. However, our review noted that the Network Librarian is not consistently provided with the daily or weekly cash register reports. This prevents the Network Librarian from verifying the cash receipts with system reports of cash actually collected at Branches.

- Receipts are not provided to customers as a matter of course from the cash register or other automated collection points. This exacerbates the inability to accurately match sales to cash collections and consequently the cash balances.

- We noted that there was a lack of independent verification of Cash Balances at the Branches. Our count of cash at Rockdale indicated a shortfall of $30.80. Our cash counts at other branches identified minor variations, both excesses and shortages with the exception of one branch (San Souci) that exactly tallied. Whilst not

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22

BDO   **Detailed Findings**

Observations

material, these variations may indicate control exposures that may be systemic in nature, including the lack of training to ensure complete and accurate recording of receipts in the cash register and issuance of receipts to customers.

- Our review of the cash counting procedures at branches identified that any shortages or excesses were not specifically reported and excesses were not banked. For example, at Arncliffe any excess cash found during the weekly cash count was retained in a moneybox that is used to collect discarded book sale monies ($0.20 per book that is used in the Children's Literacy program for minor purchases). Any shortages are made up from the moneybox. Similarly, at San Souci any excesses are retained in a bag and shortages are made up from it or photocopying collections.

- Physical security of cash at Branches is not effectively managed and inadequate guidance to staff has led to various methods or lack thereof to secure cash after hours. Keys to the lockers where cash is stored after hours whilst "hidden", are not securely maintained, say in a key safe. In some instance keys remained in the locker.

- Mascot Branch does not have a Cash Register and this requires the maintenance of a manual register to record sales. Incorrect prices may be charged as a result as was noted in one instance where a USB was sold for $5 instead of $10.

Eastgardens

- Multiple staff have access to the cash drawer that is operated individually. Hence accountability over the accuracy of cash receipting cannot be assigned, more so if any cash discrepancies are identified.

- Receipts are not provided to customers as a matter of course. This exacerbates the inability to accurately match sales to cash collections and the cash balances.

- This daily process is performed by a Library Assistant individually at end of day. There is no opening or closing cash procedure performed to confirm opening and closing cash on a daily basis. There is no daily reconciliation of physical cash in the cash drawer. It should be noted that Eastgardens does not use a cash register and cash collected is maintained in a desk drawer that is locked at all times. The desk is in the public area of the Library. All cash or eftpos receipts are entered into the Library Management System, Aurora. However, discussions with the Network Library Officer Eastgardens Library indicated that staff often forget to enter transactions into Aurora, resulting in cash shortages or excesses. Any excesses were suitably banked. Shortages were reported on the return filed with Finance.

- Waivers of charges, such as Overdue Fees can be made by any staff with Aurora access. While waivers need to be approved by the Coordinator- Customer Experience, Library, there are no controls in place to ensure her visibility of waivers that have been processed on Aurora.

BDO

Detailed Findings

Risks/Implications

- Accountability over accuracy of cash receipting cannot be assigned, more so if any cash discrepancies are identified due to multiple staff having access to the Cash Register. (No recommendation provided at this stage)

- The Weekly report of the cash register / printer is not reviewed independently with the Weekly Library Cash Report/and Cash by the Library Co-ordinator to confirm cash receipts during the week. Hence any cash sent to the Network Librarian would be considered correct as long as the cash amount tallied. Any incorrect receipts, non - recording of refunds, misappropriation, adjustment of physical cash with other automated cash collection points (e.g. printers) would not be identified.

- As there is no independent review of cash and cash balances at the Libraries, discrepancies if any, would not be identified.

- Intentional or unintentional errors of input of cash amounts, keying an incorrect item into the register or simply forgetting to enter cash receipts into the register or Aurora. These errors may not be identified due to the lack of an independent verification of cash and lack of linkage between physical stock and cash receipts.

- Incorrect prices may be charged for goods and services at Branches that do not have a preprogramed cash register.

- Financial loss due to theft of cash (lack of proper physical security).

- Misappropriation would not be identified.

Recommendations

R13. Introduce an independent/surprise cash count at Branches to be performed by the Network Librarian. (R)

R14. The daily and weekly report of the cash register / printer should be provided in the Branch Cash Bag and reviewed independently with the Weekly Library Cash Report/and Cash by the Network Librarian to confirm cash receipts during the week.(R)

R15. Opening and closing cash procedures should be implemented at the Branches, including Eastgardens. Bayside should introduce a daily cash count at Branches to confirm Cash Receipts and the Float and this should be performed by 2 staff. The weekly cash count at Branches and cash despatch to the Network Librarian should be performed by 2 staff and the Library Cash Report should be signed by both. Additionally, dual controls should be introduced in the weekly consolidation of cash. (R & EG)

Bayside Council – Internal Audit of Cash Handling - February 2019

24

BDO

Recommendations

R16. Instructions should be provided to staff emphasising the need to mandatorily provide customers with a receipt from the cash register. This will to some extent ensure that all receipts are accurately recorded in the cash register. (R & EG)

R17. Training and guidance should be provided to staff in cash handling to minimise errors in recording of receipts (R & EG).

R18. Informal processes to adjust excesses and shortages in cash during the weekly cash counts at branches should be assessed by management to ensure that cash is effectively reported and accounted for and causes of discrepancies are addressed.(R & EG)

R19. Physical security over the cash till/cash box should be improved by ensuring keys to drawers and rooms are removed and retained in key safes that should be installed. (R)

R20. A Cash Register should be installed at Mascot Branch. (R)

R21. A daily review of waivers should be undertaken by the Coordinator - Customer Experience Libraries to ensure they have been approved by her. (EG)

Management Comments	Role & name of officer responsible for action	Target Completion Date
R13. Noted Independent/surprise cash count at Branches to be performed by the Network Librarian to be introduced	Network Librarian, Rockdale Librarian and Eastgardens Librarian	Ongoing from 30 March 2019
R14. Noted.		

Bayside Council – Internal Audit of Cash Handling - February 2019

25

BDO   **Detailed Findings**

Management Comments	Role & name of officer responsible for action	Target Completion Date
a) Cash Handling Business Process and Controls Document adopted by the Executive Committee in December to be embedded across all Libraries.	a) Co-ordinators Customer Experience – Karen Thurner and Lisa Marschall	By 31 May 2019
b) Complete the Implementation of new print management and PC Booking system which will reduce cash transactions particularly at Rockdale and Eastgardens	b) Co-ordinator Customer Experience – Lisa Marschall	Implementation in progress. System has been launched. End user orientation is occurring along with additional staff training. Post Implementation review scheduled for 15 March 2019. Any Implementation issues are being addressed with the project team as they are identified.
c) Review the feasibility for issuing fines. This includes researching and benchmarking with other Councils alternative models to issuing fines that does not involve cash transactions. E.g Suspension of borrowing / printing for a period of time and/or until outstanding items are returned.	c) Manager Customer Experience – Bobbi Mayne	Completed by December 2019

Outcome implement from 1 July 2020 in accordance with Budget and Operations Plan cycle. |
| R15.

Noted. Cash Handling Business Process and Controls Document adopted by the Executive Committee in December to be embedded across all Libraries. | Co-ordinators Customer Experience – Karen Thurner and Lisa Marschall | By 31 May 2019 |

Bayside Council – Internal Audit of Cash Handling - February 2019

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BDO   **Detailed Findings**

Management Comments	Role & name of officer responsible for action	Target Completion Date
Note: Daily reconciliation can occur at main Branches – Eastgardens and Rockdale. However, it is not feasible at the smaller branch libraries with fewer staff rostered and low value of cash collected.		
R16. Noted. Cash Handling Business Process and Controls Document adopted by the Executive Committee in December to be embedded across all Libraries.	Co-ordinators Customer Experience – Karen Thurner and Lisa Marschall	By May 2019
R17. Noted. Training will be included as part of the implementation of the new cash handling business process and controls.	Co-ordinators Customer Experience – Karen Thurner and Lisa Marschall	By May 2019
R18. Noted. Incident report template to be introduced to record incidences and corrective action of excesses and	Co-ordinators Customer Experience – Karen Thurner and Lisa Marschall	By May 2019

Bayside Council – Internal Audit of Cash Handling - February 2019

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BDO

Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
shortages. Incidences to be reviewed by Co-ordinators and signed off on by Manager. Note: Process and protocol will be consistent with Customer Service Cashiers.		
R19. Noted. Develop and implement a procedure for the keys to be removed from the cash till / Cash box and adequately stored when not in use and/or manned.	Co-ordinator Customer Experience - Karen Thurner	April 2019
R20. Noted. Cashier to be installed at Mascot Library.	Technology Librarian - Stephen Cohen	By 30 April 2019
R21. Noted. Daily review of waivers is not feasible or practical given the current resourcing and business operations. a) Review and update procedure and protocol waivers to guide staff. b) Implement weekly discipline of reviewing waivers. c) Assess the feasibility of increasing the frequency of review.	a) Manager Customer Experience - Bobbi Mayne b) Co-ordinators Customer Experience - Karen Thurner and Lisa Marschall c) Co-ordinators Customer Experience - Karen Thurner and Lisa Marschall	a) By 30 March 2019 b) From April 2019 c) October 2019

Bayside Council – Internal Audit of Cash Handling - February 2019

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28

BDO

Detailed Findings

2.6. Cash handling controls in relation to Aged & Disability Services require improvement

Risk Rating	High

Observations

Aged & Disability Services provide Meals on Wheels (MoW), Centre Based Meals (CBM) and List Shopping (LS) services for eligible individuals. Individuals are eligible if they are 65 years or older, or 50 years or older and identify as Aboriginal and Torres Strait Islanders. While most services are cash on delivery, there are a handful of on-account clients who pay weekly, fortnightly or monthly. Few clients pay by cheque. There are no Credit Card or EFTFOS facilities available at the centre and clients generally would not use them. MoW are delivered by volunteers who also collect monies from clients. The cost of LS for clients is initially funded from the LS float of $400 and subsequently reimbursed from the client on presentation of shopping invoices plus a $6 service fee. This may be paid in cash or cheque. Clients pay for CBM when they attend the centre.

Our review of the processes and cash handling controls around these services identified the following:

- The Accounting Spreadsheet that is meant to be the 'source of truth' of Meals Delivered, monies received and amounts outstanding is not maintained accurately nor on a timely basis. This was evidenced in our audit testing of the spreadsheet, deliveries made and cash collected. Additionally, the spreadsheet is not securely maintained and there is wide access to it. Formula fields had been overwritten in some instances:

  o e.g. Account payment clients - Outstanding Balance cell has been made 0 instead of retaining the formula to show outstanding Balance (e.g. Tehan, Munro, Buenano.

  o Instances where the outstanding balance field has been overwritten with an amount (e.g. Mrs Judy Clover, Mrs Patricia Steele)

  This dilutes the control over the meals delivered (which when entered increases the balance due) and amounts outstanding, and may result in an inability by the Service Centre to identify outstanding amounts and make accurate cash collections. As some clients may be unable to pay on the day of delivery and cash collection would need to occur subsequently, it is important to maintain the accounting spreadsheet accurately and on a timely basis.

- Multiple documents utilised to manage meal deliveries and cash collected do not provide an efficient or effective control over completeness and accuracy of cash collected. Inconsistent use of some of these documents (e.g. Volunteer Money Slips used only on a Friday), use of prefilled receipt sheets, lack of a numbered receipt book, delays in maintaining the accounting spreadsheet and inaccuracies in the accounting spreadsheet exacerbates this. The use of weekly run sheets (planned deliveries to clients during the week for each day of the week) without an actual meals delivered column, amount expected to be collected and amount actually collected prevents a proper assessment of completeness and accuracy of cash collections.

- As per the Cash Handling Process and Operational Procedures, engagement with professional providers need to be closely monitored. According to the Third Party Procedure with Secure Cash, the courier must be identified at every collection, even if the banking courier has called to collect cash/cheques previously. Enquiries

Bayside Council – Internal Audit of Cash Handling - February 2019

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29

BDO

Observations

with the acting coordinator confirmed that when the courier arrives, their Secure Cash ID is sighted by the staff member on site, but is not checked against the online approved list.

Risks/Implications (Likelihood= almost certain; Impact=Low <50k; Risk=High)

- Inability by the Service Centre to accurately identify outstanding amounts and make accurate cash collections.
- Inaccuracies in cash collections
- Inefficiencies

Recommendations

R22. Accounting Spreadsheet:

- The spreadsheet formulae should be brought back to their original settings, including for on-account clients, to maintain the integrity of outstanding balances. Cells with formulae should be protected.
- The accounting spreadsheet should be kept current and updated on a daily basis before the next day's collections are written up.
- A review process should be implemented to ensure that the meals delivered and monies received are accurately entered into the accounting spreadsheet.
- The daily expected cash receipts as per the accounting spreadsheet should be reconciled with amounts actually received as per the Daily Payment Record.
- Reporting from the spreadsheet should be used to assist staff to complete the daily run sheet discussed in R21.
- Training should be imparted on the use and importance of the accounting spreadsheet.

Bayside Council – Internal Audit of Cash Handling - February 2019

30

BDO Detailed Findings

Recommendations

R23. Processes over meal deliveries and cash collections should be improved:

- Each run sheet should be for the day and for example could include the following details:
  - Client name
  - COD or On Account indicator
  - Plan Delivery and number of meals (e.g. # of standard meals or premium meals etc.)
  - Expected $ receipts (derived from the accounting spreadsheet – this would exclude on account clients except when due but include overdue of all other clients)
  - Actual Delivery and number of meals
  - Actual $ collected Cash
  - Actual $ collected Cheque
  - Receipt # (based on a numbered receipt book for each run) (It should be noted that there are some clients who pay on account so meals may be delivered without any payment received, however the accounting spreadsheet if retained accurately and on a timely basis will provide accurate information on balances outstanding)
- Post-delivery, the run sheet should be utilised to reconcile the cash and cheques received with the receipt book stubs and the Daily Payment Record.
- The run sheet should also be used to update the Accounting Spreadsheet with the actual meals delivered and the funds collected.

R24. Cash courier's ID should be confirmed with Secure Cash's online verification portal.

R25. Procedures should be documented for the E2E process.

Bayside Council – Internal Audit of Cash Handling - February 2019
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31

BDO

Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
R22. Aged and Disability services are currently being assessed (by Department of Health) for transition to other organisations with potential closure at 30.06.2019. Agreed the accounting spreadsheet has problems and needs to be remedied. Given the context and in the interim a simpler process which does not resolve all issues above is suggested to be reconsidered should the service not close at 30.06.19 In the interim all client monies received are entered against amount owing/name, cash collected and receipted on the meal run. Cash and the days run sheet is then returned to the centre and checked by 2 staff. Printout for each run shows balance of money taken against name for each run. This is checked against the accounting spread sheet and signed by Coordinator. Finance to assist in rectification of formula in accounting spreadsheet by mid May 2019. It is suggested staff checking should be changed regularly to segregate duties This streamlines/simplifies recording of monies and reduces processes.	Tara Pyne	Progressively until mid-May 2019

Bayside Council – Internal Audit of Cash Handling - February 2019

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32

BDO

Management Comments	Role & name of officer responsible for action	Target Completion Date
To be reviewed after decision re service decision is finalised.		
R23. The run sheets will be reviewed to consider inclusion of the above points in R23. If the service is to be transitioned timeframes will be considered for any change to be made. In the meantime volunteers will be reminded of requirements in collection in order to improve the quality of information provided.	Tara Pyne/Maree Girdler	Initial review completed 30 April and adjustments made progressively then next steps determined.
R24. Instructions in accessing the portal to ensure courier ID is verified and access to the portal needs to be provided. Advice is being sought currently. Courier ID is currently sighted.	Tara Pyne	April 30 2019
R25. E2E process can be documented however timeframes should be determined post April 30 when service transition is clear.	Tara Pyne	To be reviewed post April 30 2019.

BDO

Detailed Findings

2.7.   Cash handling controls at Botany Golf Course require improvement

Risk Rating	Low

Observations

During our discussions with the Botany Golf Course Supervisor, enquiry, observations and audit testing, the following observations were made:

- *Daily Cash Reports sheets are not reviewed by site managers on a regular basis* – As part of end of day procedures, cash reconciliation reports are prepared to ensure the sales, cash and EFTPOS totals are balanced and copies of the merchant receipts are attached, with evidence of two signatures (supervisor and customer service officer) for sending to Finance on a weekly basis. We have viewed a sample of cash reports with evidence of two signatures sent to Finance for review. During our interview with the Finance Manager, William Hooke, if a major anomaly or discrepancy is identified, it would only then be raised to the site manager for follow-up. There is no evidence of spot checks or approval by the site manager of Cash Reports.

- Multiple staff have access to the cash register that is operated individually. Hence accountability over accuracy of cash receipting cannot be assigned, more so if any cash discrepancies are identified.

- Our review noted that Finance is not provided with the daily or weekly cash register reports. This prevents Finance from verifying the cash receipts with system reports of cash actually collected at Branches.

- *As per the Cash Handling Process and Operational Procedures, engagement with professional providers needs to be closely monitored* – According to the Third Party Procedure with Secure Cash, the courier must be identified at every collection, even if the banking courier has called to collect cash/cheques previously. Once the name has been identified on the approved list, they may proceed with the banking handover. Enquiries with the supervisor confirmed that when the courier arrives, their Secure Cash ID is sighted by the staff member on site, but is not checked against an approved list.

- *The key to the cash drawer is stored next to the tills* – During our site visit, we noted that the key to the cash drawer is attached to a string next to the register to provide convenient access to the cash drawer. Convenient access to the drawers not only provides customer service officers the opportunity to mishandle cash, but could potentially expose the security of cash to customers.

- *Cash sales have been made after end of day processes in some instances* - Cash reconciliations are conducted as part of the end of day procedures. However, there are instances when a customer service officer must make a 'late sale' that is after the officer prints and finalises the sales summary. We were advised by the supervisor that if a late sale is attempted to be entered on the POS system, the sale would be completed wiped out from the system the next day causing audit trail issues and an unreconciled balance the next day. Therefore, if a late sale is made, staff would encourage the customer to pay via EFTPOS and the receipt is printed and kept for the supervisor to review and reconcile the next morning. Sample testing of EOD documentation identified an unreconciled balance of $15 but was explained in writing that a late sale was made with the signature of the customer service officer and supervisor.

BDO   **Detailed Findings**

Observations

- *Employee training on cash handling could be improved* – No formal training is provided on Cash Handling Processes and operating procedures, and particularly handling situations in the event of a hold-up, theft or loss of cash. The supervisor has produced an internal manual for day to day procedures, including start and end of day cash reconciliations. However, there is no monitoring or subsequent review that adequate training has completed for key customer service staff.

Risks/Implications

- Errors or manual adjustments made in cash handling are not monitored and approved by the site manager – this was evident in one instance where the Daily Cash Report was manually adjusted due to a 'late sale'. We note that the cash balance immediately reconciled the next day;

- Armed hold up of Council's cash carriers or cash is lost in transit;

- There is a risk a cash sale made is not appropriately accounted for and will provide errors on the reconciliation or all cash received is not recorded in the relevant POS system; and

- Security and safety of staff handling cash is compromised.

Recommendation

R26.

- The daily and weekly report of the cash register should be provided to Finance and reviewed independently with the Daily Cash Report to confirm cash receipts during the week.

- Introduce a daily cash count to confirm Cash Receipts and Float, and this should be performed were possible by 2 staff.

- All couriers must be identified with valid Secure ID and matched against an approved list. If access to a computer is limited, a detailed list must be available for staff to identify the courier.

- Store the key in a locked safe or secured in back of house/staff area.

Bayside Council – Internal Audit of Cash Handling - February 2019

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BDO   Detailed Findings

Recommendation
• Encourage staff to provide customers with receipts to ensure all sales are entered into the system correctly.
• Encourage staff to not accept any cash sales after close.
• Implement formal training on cash handling for all staff members and create a register of all cash handling training that is regularly updated and monitored.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R26. • The daily and weekly report of the cash register should be provided to Finance and reviewed independently with the Daily Cash Report to confirm cash receipts during the week. **Yes this has been confirmed by Finance** • Introduce a daily cash count to confirm Cash Receipts and Float, and this should be performed were possible by 2 staff. **Yes this has been confirmed by Finance** • All couriers must be identified with valid Secure ID and matched against an approved list. If access to a computer is limited, a detailed list must be available for staff to identify the courier. **Courier list and pictures are available on line.** **This can be printed off and checked at anytime**	Arthur Kotopoulos - Senior Operations Technician for all recommendations	Completed Completed Completed

Bayside Council – Internal Audit of Cash Handling - February 2019

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• Store the key in a locked safe or secured in back of house/staff area. **This is not a practical solution due to the risk associated with having to leave the shop area and enter the rear area alone.**		Completed
• Encourage staff to provide customers with receipts to ensure all sales are entered into the system correctly. **Yes this is being done**		Completed
• Encourage staff to not accept any cash sales after close. **Yes. All purchases completed after close is done through eftpos.**		Completed
• Implement formal training on cash handling for all staff members and create a register of all cash handling training that is regularly updated and monitored. **Training to be discussed by relevant Council officers.**		31 December 2019

Bayside Council – Internal Audit of Cash Handling - February 2019

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37

BDO   **Detailed Findings**

| Risk Rating | Low |

2.8.   Cash handling controls at the Aquatic Centre require improvement

Observations

During our discussions with the Botany Aquatic Centre Supervisor, enquiry, observations and audit testing, the following observations were made:

- *The cash drawers are not locked when not in use* - During our site visit, we observed the physical environment where cash is stored and received. We sighted that the cash drawers were unlocked when not in use. However, we do note that the drawers are not linked to the POS system and therefore do no automatically open when a sale is made. For convenience, the till is unlocked to enable the cashiers to make an immediate sale as a customer pays for entry. The customer service section door, where the cash is held, is also left open, but is always attended by staff.

- *Previous day cash was unreconciled and an excess of cash was in the tills* - During our site visit on the 1st of February 2019, we were informed by the supervisor, that they had moved to a new POS system, Links, on the 31st of January 2019 and are in the process of transferring data and having training. We sighted the reconciliations and cash counts for the previous day and found an unreconciled excess balance of cash of $26.65. The Aquatic Centre tills must have a float of $200. However, during our cash count, the till had an excess amount of $6.65 and an excess of $20 in the safe. As part of start of day procedures, tills must have a $200 float. Whilst minor, any excess cash must be stored in the safe as per the Cash Handling policy.

- *Daily cash reports were not signed in some instances* - We were advised that each cash reconciliation report must be signed by one customer service officer and a supervisor. Audit testing showed that 2 of 4 sampled dates did not provide dual signature on the cash reconciliation sheets that were sent to Finance daily. As mentioned earlier, the Aquatic centre moved to a new POS System, Links, on the 31st of January 2019 which provided a new cash reconciliation format that does not provide a signature section. Hence, no signature was provided for one of the two unsigned reports.

- *Engagement with professional providers need to be closely monitored* - As per the procedure documents with Secure Cash, the courier must be identified at every collection, even if the banking courier has called to collect cash/cheques previously. Once the name has been verified on the approved list, they may proceed with the banking handover. Our interviews at the Aquatic Centre confirmed that when the courier arrives, their SecurCash ID sighted by a staff member but not checked against an approved list. We were informed by the supervisor that customer service officers were directed to use an app to scan the third party's ID. However, the staff do not want to use their personal phones.

- *Cameras are installed but are not in use on the premises* - During our site visit, we confirmed if technological controls are in place in the Customer Service Cashiering areas. Sandy Davies, Supervisor, confirmed that the surveillance cameras have been installed on the premises but it is known to not be in use. Review of surveillance cameras is also said to be managed by Bayside Council.

- *Processes for training employees on cash handling could be improved* - There is no formal induction and training conducted for employees on cash handling procedures. The supervisor, Sandy Davies, provides all staff with on the job training. No formal training is provided on Cash Handling Processes and operating

Bayside Council – Internal Audit of Cash Handling - February 2019

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Observations

procedures, and particularly handling situations in the event of a hold-up, theft or loss of cash. There is no monitoring or subsequent review that adequate training has completed for key customer service staff.

Risks/Implications

- Cash is misappropriated by staff;

- Armed hold up of Council's cash carriers or cash is lost in transit;

- Cash may be misappropriated due to unauthorised reversals, lack of dual control (and enforcement of dual access)

- Security and safety of staff handling cash is compromised

- There is a risk a cash sale made is not appropriately accounted for and will provide errors on the reconciliation or all cash received is not recorded in the relevant POS system;

Recommendation

R27.

- Ensure all cash drawers are locked securely when not in use and are only unlocked when a sale is being made; or

- Implement a POS system that is linked to the cash drawers that allows automatic locking of the cash tills;

- Ensure the customer service areas are closed and/or locked;

- The processes for dual control/separation of duties over cash receipts, cash balancing, opening and closing procedures, cash reversals, cash counting, operation of the Main Safe, Key Safe and the Drop Safe, banking and reporting should be reinforced. The operation of dual control should be evidenced on all EOD documentation by dual signatures.

Bayside Council – Internal Audit of Cash Handling - February 2019

39

BDO

Recommendation

- All couriers must be identified with valid Secure ID and matched against an approved list. If access to a computer is limited, a detailed list must be available for staff to identify the courier;

- If cameras are necessary for the site's security, ensure the cameras are installed and operating appropriately;

- Implement formal training on cash handling for all staff members and create a register of all cash handling training that is regularly updated and monitored.

- Ensure all excess cash is stored within the safe for the Manager to investigate any unresolved issues/balances.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R27. • Ensure all cash drawers are locked securely when not in use and are only unlocked when a sale is being made; or **Implemented** • Implement a POS system that is linked to the cash drawers that allows automatic locking of the cash tills; **The viability of this recommendation will be assessed and implemented if deemed appropriate for this business area.** • Ensure the customer service areas are closed and/or locked; **Secure area implemented**	Sandy Davies Supervisor at Botany Pool	Completed 31 December 2019 Completed Completed

Bayside Council – Internal Audit of Cash Handling - February 2019

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Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
• The processes for dual control/separation of duties over cash receipts, cash balancing, opening and closing procedures, cash reversals, cash counting, operation of the Main Safe, Key Safe and the Drop Safe, banking and reporting should be reinforced. The operation of dual control should be evidenced on all EOD documentation by dual signatures. **Yes this has been confirmed by Finance**		Completed
• All couriers must be identified with valid Secure ID and matched against an approved list. If access to a computer is limited, a detailed list must be available for staff to identify the courier; **Updated lists can be accessed on line. Staff have access to computer should there be a new Courier**		Completed
• If cameras are necessary for the site's security, ensure the cameras are installed and operating appropriately; **Cameras are installed but not working. New cameras will be installed with planned upgrade.**		31 December 2019
• Implement formal training on cash handling for all staff members and create a register of all cash handling training that is regularly updated and monitored.		

Bayside Council – Internal Audit of Cash Handling - February 2019

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41

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Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
Training to be discussed with relevant Council Officers. • Ensure all excess cash is stored within the safe for the Manager to investigate any unresolved issues/balances. **Implemented**		Completed

Bayside Council – Internal Audit of Cash Handling - February 2019

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APPENDIX A: LISTING OF BAYSIDE STAKEHOLDERS INTERVIEWED

Stakeholders
Carol Hudson Team Leader Customer Service
Lisa Marschall Coordinator – Customer Experience, Library
Karen Thurner Network Librarian Rockdale
Nina Walton Network Library Officer Eastgardens Library
Tara Pyne Acting Coordinator, Aged & Disability Services
Sue Matthew Coordinator – Sport and Recreation
Arthur Kotopoulis, Botany Golf Course
Paul Ferrougia, Squash Courts
Sandy Davis, Aquatic Centre
Laura Browning Coordinator Children & Young People
Stephen Williamson Community Safety Officer
Greg Taylor, Site Security (Alarms etc)
Ward Kirshaw Coordinator Financial Services
Jose Perez, Treasury Officer
William Hook, Treasury Officer

43

BDO

APPENDIX B: LIST OF DOCUMENTS REVIEWED

Meals on Wheels Menu	Periodic Library Cash Report
Meals on Wheels Run Sheet	Price List
MoW Receipts	Cash Handling Policy and Procedures
MoW Payment Record	Golf Pro Shop Procedures
MoW Banking Records	Golf Course Ledger day reports
Deposit Books	Prices
Shopping Service Daily Transaction Record	Links Reconciliation Reports
Secure Cash Deposit Records	Float Cash Declaration Form
Accounts	Squash Courts Weekly Sales Reports
CBA Banking Bag	
Cash Dissection Sheets	
EOD Cash Dissection/Banking Sheets	
Pathways EOD Reports	
Tech1 Bank Reconciliations	
Cash Register Daily and Weekly Summaries	

Bayside Council – Internal Audit of Cash Handling - February 2019

44

BDO

APPENDIX C: BAYSIDE COUNCIL'S RISK ASSESSMENT MATRIX

Risk Ratings

Likelihood	Consequence				
	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 - Internal Audit of Cash Handling - February 2019

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45

BDO   **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 – Internal Audit of Cash Handling - February 2019

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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

Risk & Audit Committee

23/05/2019

Item No	5.5
Subject	**Draft Inventory Management Audit Report**
Report by	Natasha Balderston, Internal Auditor
File	SF18/3042

Summary

BDO completed an audit on Council's inventory management processes and identified significant areas of weaknesses. As a result, Council's inventory management processes were deemed High Risk. Seven issues were identified and a corresponding eighteen recommendations were made to assist in closing the existing gaps. The report has been discussed with the relevant Directors and Managers and management comments have been requested. A supplementary report will be provided to the Committee once comments, which include action plans and timeframes for those recommendations which still require implementing, have been received.

Officer Recommendation

That the Risk & Audit Committee receives and notes the draft Inventory Management internal audit report.

Background

As part of the FY 2018/19 audit plan, an inventory management audit was undertaken by BDO. The purpose of the review was to determine Council's inventory management processes across the different businesses, identify areas for improvement and provide recommendations to close gaps. The audit identified eight issues and they were as follows:

No.	Audit Finding	Risk Rating	Business area	Directorate
1	Inventory management processes require improvement.	High	Stores	City Presentation
2	Fuel management controls require enhancement.	High	Stores	City Presentation
3	Controls over processing of Stores Issue Requisitions (non-fuel) require improvement.	High	Stores	City Presentation
4	Obsolete stores (stock) are not effectively managed.	Medium	Stores	City Presentation

No.	Audit Finding	Risk Rating	Business area	Directorate
5	Monitoring controls in relation to Masterfile modifications and stock adjustments are lacking.	Low	Stores	City Presentation
6	Golf Course – Inventory management controls are deficient in some areas.	Low	Botany Golf Course	City Life
7	Aquatic Centre – Inventory management controls are deficient in some areas.	Low	Botany Aquatic Centre	City Life
8	Tennis and Squash Courts – Inventory management controls are deficient in some areas.	Low	Tennis and Squash Courts	City Life

As a result of the above findings, Council's inventory management was rated High Risk.

Eighteen recommendations were made to remediate the above issues. The report has been discussed with the Directors, Managers and Coordinators from the different business areas and they have been given the opportunity to provide management comments.

Internal Audit notes that similar issues have been raised in previous audit reports:

- Minimum and maximum inventory levels for the stores were identified in the follow up to the Operation Jarek report completed for the former City of Botany Bay Council. The issue was transferred into Bayside Council and eventually closed off as it was included in the relevant Coordinator's work plan.

- Fuel usage monitoring was identified as an issue in the 2016/17 Bayside Interim Management Letter, where the finding was rated an Extreme Risk. This finding was specific to underground fuel storage at Bexley depot but the inventory audit report has identified it as an issue across both depots.

- Conversation with the Coordinator Fleet Operations and Stores revealed there is currently one person manning the Botany store. Segregation of duties at the Botany store was identified as an issue in the Follow Up to Operation Jarek report.

Discussions with the Coordinator Fleet Operations and Stores also highlighted that the Inventory Management – Process and Operational Procedures document being useful. However, no training has been provided on this process and operational procedures because work is currently being done to set up both the Botany and Bexley stores in the same way. Once that project has been completed, the Coordinator Fleet Operations and Stores will provide training on these procedures and embed it within their business area.

Furthermore, it was noted that the inventory managed at the golf course, aquatic centre and tennis and squash courts were minimal, and financially insignificant. As a result, it was agreed between the BDO Auditor, Internal Audit and the business area that a less costly interim process would be put in the place of the suggested recommendations.

A copy of the draft inventory management audit report is attached for the Committee's review. A supplementary report will be distributed prior to the Risk & Audit Committee

meeting on 23 May 2019 and this report will contain management comments, including action plans and timeframes for recommendations which still require implementing.

Attachments

DRAFT - Internal Audit of Inventory Management - April 2019 ⇩

Bayside Council ("Bayside")

Internal Audit of Inventory Management

April 2019

DRAFT

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DISTRIBUTION

Party	Title
Meredith Wallace	General Manager, BC.
Colin Clissold	Director City Presentation, BC.
Debra Dawson	Director City Life
Steve Poulton	Manager City Works, BC.
Kate Kennedy	Coordinator Fleet Operations and Stores, BC.
Michael Mamo	Director City Performance, BC.
Scott Field	Manager Sports and Recreation
Fausto Sut	Manager Governance & Risk, BC.
Natasha Balderston	Internal Auditor, BC.
Sean Pascoe	Partner, BDO.
Steve Kent	Associate Director, BDO.

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TABLE OF CONTENTS

Bayside Council – Internal Audit of Inventory Management - April 2019

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3

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Inherent Limitations

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

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

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

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

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the Statements and representations made by, and the information and documentation provided by Bayside 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 10 January 2019 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.

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Executive Summary

1. EXECUTIVE SUMMARY

1.1 Background

This internal audit is being undertaken as part of Bayside Council's (Bayside or BC) Approved Internal Audit Plan for the year ending 30 June 2019.

Two main depots at Bexley and Botany manage the operational stores, including fuel for Bayside. Stores are managed through the TechOne Inventory Management System and Fuel is managed through the Data Fuel Management System. Significant work has been undertaken at Bayside to harmonise inventory and fuel management between the legacy systems and the processes of Rockdale and Botany Councils. Work to integrate the Data Fuel Management System with TechOne is currently in progress.

1.2 Objective and scope

The objective of this internal audit was to provide reasonable assurance over the design and effectiveness of internal controls that manage key risks associated in inventory management at Bayside.

This was achieved by assessing:

- The control framework, including relevant, documented policies and guidelines; roles and responsibilities; management of absences of key operational staff; separation of duties;

- The TechOne Inventory Management System (for stores other than Fuel) and the Data Fuel Management System including access management controls over the systems;

- Processes, systems and records utilised, including processes to manage stocking levels (ordering, setting of minimum/maximum levels), receiving, counting, storing, issuing, valuing and recording;

- Fuel management processes and in particular those that relate to storage efficacy, receipt and usage measurement monitoring and recording, frequency of stocktakes and calibration of measuring equipment;

- Resolution of matters raised by the NSW Audit Office in relation to

  - storage, usage and shortages of fuel at the Bexley Depot.

  - stocktake procedures and duplicated stores items.

- Compliance with current stores management policies, guidelines and process maps;

- Harmonisation of inventory and fuel management processes at Botany and Bexley depots. Progress on the integration of Data Fuel Management System with TechOne;

- Pricing of inventory and allocation of costs to projects and/or cost centres;

- Physical security of inventory (safeguarding of assets);

- Monitoring and reporting of inventory; and

- Accounting, valuation, physical verification and reconciliation of inventory.

The scope of the internal audit included inventory and fuel management at the following primary locations:

- Bexley Depot

- Botany Depot

Other locations that were visited where items are held for sale, included:

- Botany Aquatic Centre.

- Botany Golf Course (Pro Shop).

- Tennis and Squash Courts at Mutch Park.

Exclusions from the scope and the rationale for exclusion were:

- Procurement and Accounts Payable processes (focus was on inventory management).

- The Bexley Aquatic Centre (contracted to a third party).

Bayside Council – Internal Audit of Inventory Management – April 2019

5

BDO

Executive Summary

1.3   Approach

The following approach was undertaken during the internal audit:

- Held a kick off meeting with key stakeholders to finalise scope, timing, information requirements etc;
- Interviewed relevant staff, including the Stores Officers at each of the in scope locations and reviewed relevant documentation (refer **Appendix A**);
- Obtained an understanding of the inventory and fuel management framework, processes and systems through the review of relevant documentation (refer **Appendix B**);
- Developed a risk and controls matrix to identify any gaps in risk management and to assess the design and operational effectiveness of controls;
- Developed and performed an appropriate test program designed to provide reasonable assurance over the operation of controls;
- Identified control deficiencies and developed recommendations for improvements. Risk rated findings in accordance with risk matrix in **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; and
    - Management's response to our findings and recommendations.
- Completed of draft and final reports

1.4   Summary of key findings

Positive findings

The Inventory Management control framework is supported by the documented Inventory Management Process and Operational Procedures. Inventory Management processes are being progressively implemented to

comply with these procedures and are being improved to ensure full compliance. Appropriate separation of duties has been implemented over procuring, receiving and issuing of stores inventory.

Substantially effective controls, including separation of duties were identified in areas of receiving and issuing of stores and fuel, physical security of stores and accounting reconciliations. 6 monthly, as well as random stocktakes have been implemented as a back stop to ensure completeness and accuracy of stores and fuel inventory balances and values.

Areas for improvement

Our internal audit identified areas for improvement to the end to end inventory management process to manage risks of incorrect inventory balances, incorrect valuation, higher inventory holding costs, processing errors and financial loss. Our findings are summarised below:

High Risk Matters:

- Harmonisation of inter and intra depot stores should be expedited to rectify matters such as:
    - different stock codes and stock items;
    - grouping of multiple products under the same broad stock code;
    - differing accounting treatments of store items between the two Depots;
    - store organisation and specific location of items physically and referenced in TechOne;
    - incorrect units of measure set up in TechOne for store items; and
    - minimum and maximum stocking levels for individual stores items not being established.
- Subject to our observations, the matters raised by the Audit Office in 2016/17 in relation to Fuel Management have been addressed. Discrepancies in fuel balances primarily caused by incorrect processing of fuel received and dispensed were noted. We noted that there is no set

Bayside Council – Internal Audit of Inventory Management - April 2019

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schedule for updates to TechOne of fuel dispensed with delays of up to 2 weeks having been noted. The period of Data Fuel system's data extraction is not recorded in a register at the Botany Depot to ensure completeness of the TechOne update. Additionally, the extracted data file can (and sometimes needs to be) changed to minimise upload errors (deletion of zero fuel dispensed records).

The current processes require improvement, including enhanced fuel usage monitoring to reduce the risks of misuse and duplicate, incomplete or inaccurate upload of fuel dispensed and received to TechOne that lead to fuel discrepancies.

- While reasonably effective processes and controls have been established at both Bexley and Botany that comply with the recently implemented Inventory Management Procedures, there is scope for improving procedures to ensure completeness and accuracy of processing Stores Issue Requisitions (SIR).

Medium Risk Matters

- Obsolete stock identification and disposal processes have yet to be developed and implemented. Such processes would include identifying slow moving, old or unused stocks, determining shelf life and deciding upon the strategy (retention, disposal or destruction) for stores items. A destruction certificate or equivalent that is independently signed as evidence of destruction has not been developed.

Low Risk Matters

- A formal approval process for adding, deleting or modifying stores items in the TechOne inventory master file has not been developed. Additionally, inventory adjustments can be individually made in TechOne without secondary review or approval. An audit trail report review or secondary work flowed approval has not been implemented.

- Inventory Management controls are deficient in some areas at the Botany Golf Course, Aquatic Centre and Squash and Tennis Courts. Individual stock locations for each of these sites should be considered for implementation in Tech 1 and the functionality of Tech 1 should be utilised to manage inventory.

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

1.5 Overall Risk Rating

High: This is based on the overall inherent operational risks in Inventory Management and the risks identified that range from High (3), Medium (1) and Low (3). Each of these risks have been assessed using Bayside's Risk Matrix, Likelihood and Consequence tables that have been included in Appendix C.

1.6 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.

1.7 Report clearance

The content of this report has been discussed and agreed with Kate Kennedy (Coordinator Fleet Operations and Stores) and other key stakeholders.

Yours sincerely

Sean Pascoe
Partner, BDO Risk Advisory

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Detailed Findings

2. DETAILED FINDINGS

2.1. Inventory Management processes require improvement

| Risk Rating | High |

Observations

The following inventory management matters were identified during this internal audit:

- Stock codes and stock items between the two Depots are different. Products and corresponding codes have not yet been harmonised. This will result in over stocking of similar items and a higher inventory holding cost. Operational/financial strategies should be streamlined between the two sites to enable appropriate stocking levels, streamline products and accrue benefits of bulk purchases

- Grouping of multiple products under the same broad stock code e.g. Gloves, toilet paper, hacksaw blades. This occurs primarily at the Botany Depot and results in inaccurate average cost and issue prices.

- Accounting treatment of some items differs between the two Depots. For example, while Engine Oils and Lubricants are a stores item at Bexley Depot, they are a consumable or non-stock item at the Botany Depot that are expensed when purchased. Disposable overalls are stores items at Botany, but non-stock at Bexley. Accounting strategies should be streamlined between the two sites as costs being charged to fleet assets may differ.

- Stores at both depots contained material that were not stores and were being retained therein for safe keeping. Also as discussed in the section below, there are items in stores that are non-stock and included in the Stores Issue Requisition (SIR) when required by operations staff. For example, Mesh Fence at Botany and Soap, Grease and 2 Stroke Oil are non-stock items that are requisitioned on the SIR.

- Floor plans and organisation of physical stores in storage units, with the storage unit being referenced in TechOne for ease of retrieval, are being investigated. Each Depot has multiple sites where inventory is stored. Bin locations in TechOne are the physical storage buildings such as Fuel Tanks (OW), WH (Warehouse), WS (Workshop), CO (Compound) or NA (Site unknown). Item locations within the sites i.e. Compactus and Shelf numbers are currently being implemented for Bexley. If appropriate stocking locations are not reflected in TechOne, it may result in operational issues of locating and fulfilling SIRs.

- All stock items, including liquids are recorded in TechOne as EACH instead of the ordering and issuing unit. For example,
  - item code114805 King Hit Disinfectant is recorded as "each" in TechOne being litres in this case.
  - This item is ordered in number of litres whereas the product is supplied and issued from Store in 5 Litre bottles.

Bayside Council – Internal Audit of Inventory Management - April 2019

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8

BDO   Detailed Findings

- The supplier invoice for a 30 litre purchase order shows 2 items being 2 packs of 3 bottles each of 5 Litres.

- Store Issue Requisitions for a 5 Litre bottle will show a requirement of 1 unit.

The above requires the Stores Officer to convert the disclosed units for recording receipts and stores issues into TechOne. This misalignment causes irregularities in receipting and issuing the correct quantities, resulting in incorrect inventory balances and errors in unit pricing.

- Minimum/maximum levels have yet to be defined for stores. Hence ordering is based on the Stores Officers' knowledge of usage and may result in over or under stocking, the latter impacting operations.

- Obsolete stock identification and disposal processes have yet to be developed and implemented. We noted that the recent disposal of Botany Council branded uniforms did not have any proof of disposal or destruction. While the entire stock of such uniforms has been written off in January 2019, we noted multiple boxes of these uniforms in the Botany secondary store (caged area).

- A significant number of stores items that have a nil balances were identified in the trial balances for both the stores. We understand that these are new stock codes that have been created in TechOne for the harmonisation project to which current stores items will be transferred.

In addition to the above matters, we note that there is a lack of a formally approved project plan setting out the objectives, scope, requirements, implementation steps/project planning, resources, responsibilities and deliverables/desired state. Management reporting for the status against the project plan has not been developed. A project plan and progress reporting is essential to ensure clarity of direction, as well as to ensure that objectives are being achieved and there is visibility of progress by management.
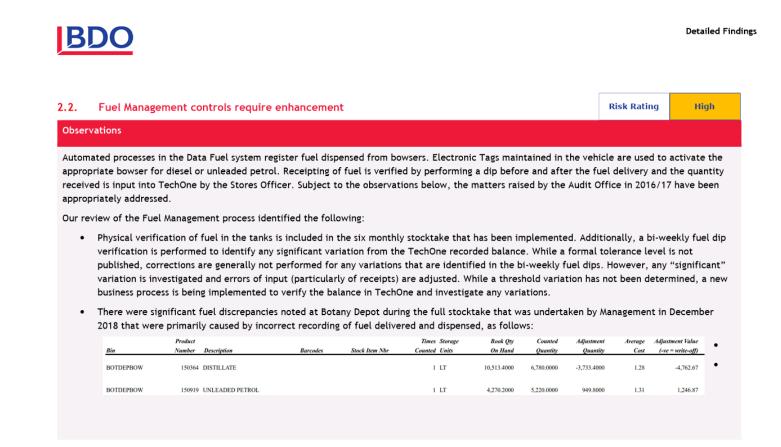
Risks/Implications

- Inaccurate inventory balances and valuation

- Potentially higher inventory holding costs

- Improvement project objectives are not met

BDO   **Detailed Findings**

Recommendations

R1. The following matters raised above should be addressed within the Inventory Improvement project and their implementation tracked accordingly:

- Operational, financial and accounting strategies should be streamlined between the two sites to enable appropriate stocking levels, streamline products to accrue the benefits of bulk purchases.
- Products that have been grouped under a single product code should be separated and the corresponding quantities and values rectified.
- Inactive and obsolete stock items should be identified and disposed.
- Compactus and Shelf numbers of the physical location of store items should be referenced in TechOne against the stock code.
- The units of measure in TechOne should be modified to reflect the ordering and issuing units.
- Minimum and maximum levels should be developed for stock items.
- Stock obsolescence processes should be developed and implemented.

R2. The project plan that broadly defines the approach to be used by the Fleet and Stores project team to deliver the scope and objectives of the improvement project should be formalised and approved. A detailed project plan of the steps to be taken to achieve the broad objectives should be developed. Progress and status reporting should be developed to demonstrate the achievement of the scope, objectives and deliverables.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R1.		
R2.		

Bayside Council – Internal Audit of Inventory Management - April 2019
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Detailed Findings

2.2.   Fuel Management controls require enhancement

| Risk Rating | High |

Observations

Automated processes in the Data Fuel system register fuel dispensed from bowsers. Electronic Tags maintained in the vehicle are used to activate the appropriate bowser for diesel or unleaded petrol. Receipting of fuel is verified by performing a dip before and after the fuel delivery and the quantity received is input into TechOne by the Stores Officer. Subject to the observations below, the matters raised by the Audit Office in 2016/17 have been appropriately addressed.

Our review of the Fuel Management process identified the following:

- Physical verification of fuel in the tanks is included in the six monthly stocktake that has been implemented. Additionally, a bi-weekly fuel dip verification is performed to identify any significant variation from the TechOne recorded balance. While a formal tolerance level is not published, corrections are generally not performed for any variations that are identified in the bi-weekly fuel dips. However, any "significant" variation is investigated and errors of input (particularly of receipts) are adjusted. While a threshold variation has not been determined, a new business process is being implemented to verify the balance in TechOne and investigate any variations.

- There were significant fuel discrepancies noted at Botany Depot during the full stocktake that was undertaken by Management in December 2018 that were primarily caused by incorrect recording of fuel delivered and dispensed, as follows:

Bin	Product Number	Description	Barcodes	Stock Item Nbr	Times Counted	Storage Units	Book Qty On Hand	Counted Quantity	Adjustment Quantity	Average Cost	Adjustment Value (-ve = write-off)
BOTDEPBOW	150364	DISTILLATE			1	LT	10,513.4000	6,780.0000	-3,733.4000	1.28	-4,762.67
BOTDEPBOW	150919	UNLEADED PETROL			1	LT	4,270.2000	5,220.0000	949.8000	1.31	1,246.87

Bayside Council – Internal Audit of Inventory Management - April 2019

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11

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Lesser discrepancies were noted for Bexley Depot:

Bin	Product Number	Description	Barcodes	Stock Item Nbr	Times Counted	Storage Units	Book Qty On Hand	Counted Quantity	Adjustment Quantity	Average Cost	Adjustment Value (-ve = write-off)
BEXDEPBOW	116000	Diesel - TANK 3			3	LT	2,950.0000	3,020.0000	70.0000	1.15	80.84
BEXDEPBOW	116010	Diesel - TANK 2			3	LT	10,056.6000	11,150.0000	1,093.4000	1.19	1,297.09
BEXDEPBOW	116015	Unleaded 91 - TANK 1			3	LT	10,196.2000	10,000.0000	-196.2000	1.27	-249.76

During our review we undertook a fuel dip at both Bexley and Botany. Discrepancies were noted at both sites as follows:

Botany	Tech 1 balance	Issues Not recorded		Incorrect receipting		Expected Dip	Actual Dip	Var	
Tank 1 ULP	11,486.00	837.30	-	1,999.00	1,163.00	7,486.70	7920	433.30	Excess
Tank 2 Diesel	27,239.20	8,975.50	2,993.50	4,853.00	4,459.00	5,958.20	6100	141.80	Excess

Bexley	Tech 1 balance	Issues Not recorded		Incorrect receipting		Expected Dip	Actual Dip	Var	
Tank 1 ULP	8,503.80	5.19	-	-	-	8,498.61	8,450.00	- 48.61	Short
Tank 2 Diesel	8,440.70	1,112.66	-	-	-	7,328.04	7,410.00	81.96	Excess
Tank 3 Bio Diesel	3,020.00	-	-	-	-	3,020.00	3,020.00	-	

As noted above, incorrect receipting of fuel deliveries was also evidenced.

- Fuel dispensed and recorded in the Data Fuel system is uploaded to TechOne via an ETL (Extraction, Transformation, Loading) process that is executed via multiple manual processes. Fuel dispensed data first needs to be extracted from the Data Fuel system, converted to Excel and then uploaded to TechOne There is no set schedule for this process and it is executed irregularly, with delays of up to 2 weeks having been noted (Botany). Unlike Bexley where the period of data extraction is recorded in a register, Botany maintains no such register to ensure completeness of extraction of data. Additionally, the extracted data file can (and sometimes needs to be) be changed to minimise upload errors (deletion of zero fuel dispensed records). The above leads to risks of duplicate, incomplete or inaccurate upload to TechOne, resulting in fuel discrepancies.

- There is no fuel usage monitoring, including log books to assess any likely misuse of fuel accessed at the bowsers. The tolerance levels available and established in the Data Fuel system are not utilised to perform the assessment of normal business use kilometres and actual kilometres

- Botany Data Fuel interface with TechOne: There is a technical issue with uploading fuel dispensed at Botany to TechOne that requires a manual workaround to ensure completeness and accuracy of the upload. The ETL that was written for Bexley maps to the correct stock item for Bexley.

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Detailed Findings

However, for Botany there is a need to change the stock import CSV file to account for the Botany inventory item codes. Discussions with the Co-ordinator Fleet and Stores indicated that a technical solution is currently being investigated. Bexley's fuel stock codes will be modified to reflect those at Botany, which will resolve this technical issue.

- Other matters that were observed and require management's attention are:
    - Fuel dispensed at the bowser is not calibrated with Data Fuel recording on a regular basis.
    - 3,020 litres of Bio-Diesel with a book value of $3,487 has remained unused at Bexley since before 2016. Research indicates that bio diesel has a shelf life of between 3-6 months.

Risks/Implications

- Inaccurate, incomplete or duplicate upload of fuel dispensed data to TechOne.
- Fuel discrepancies and financial loss.

Recommendations

R3.1 A daily, automated ETL from Data Fuel to TechOne should be investigated and implemented.

R3.2 The technical solution to modify Bexley's fuel stock codes to reflect those at Botany should be implemented.

R4.1 More frequent fuel dips (particularly before and after a fuel delivery) should be implemented to identify and correct discrepancies (including correction of root cause) above a threshold (to be established in policy).

R4.2 Fuel usage monitoring, including the introduction of log books should be introduced to assess any likely misuse of take home vehicles. Use of the tolerance levels established in the Data Fuel system could be utilised to perform the assessment of normal business use kilometres and actual kilometres.

Bayside Council – Internal Audit of Inventory Management - April 2019

13

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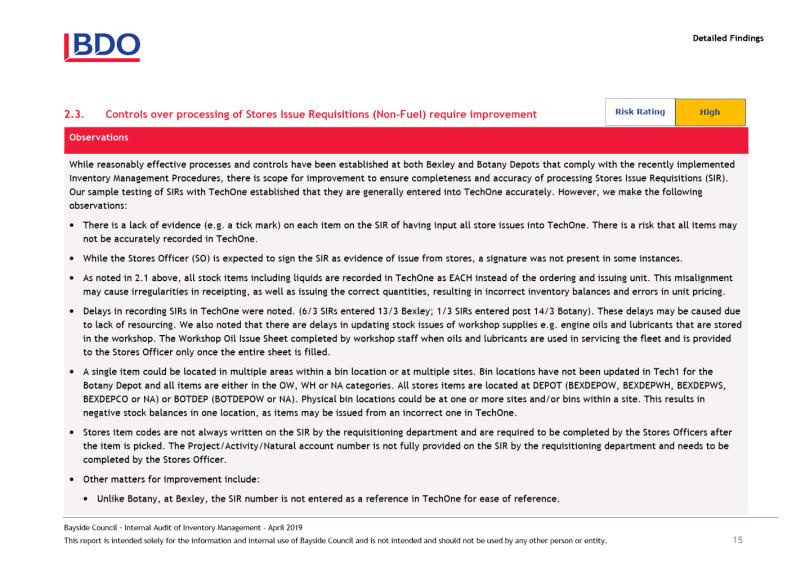
R5. Controls in relation to receipting of fuel should be strengthened (e.g. by secondary review) to minimise the risk of incorrect receipting. More frequent fuel dips discussed in R4 above is also a control to minimise this risk.

R6. Implement a monthly calibration of fuel dispensed at the bowser and that recorded in Data Fuel.

R7. Investigate unused bio-diesel and assess for potential write-off/disposal if it is unlikely to be used. The fuel may need to be reanalysed to assess if it meets specification, if a decision to use or dispose of it is made.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R3.		
R4.		
R5.		
R6.		
R7.		

BDO

Detailed Findings

2.3. Controls over processing of Stores Issue Requisitions (Non-Fuel) require improvement

| Risk Rating | High |

Observations

While reasonably effective processes and controls have been established at both Bexley and Botany Depots that comply with the recently implemented Inventory Management Procedures, there is scope for improvement to ensure completeness and accuracy of processing Stores Issue Requisitions (SIR). Our sample testing of SIRs with TechOne established that they are generally entered into TechOne accurately. However, we make the following observations:

- There is a lack of evidence (e.g. a tick mark) on each item on the SIR of having input all store issues into TechOne. There is a risk that all items may not be accurately recorded in TechOne.

- While the Stores Officer (SO) is expected to sign the SIR as evidence of issue from stores, a signature was not present in some instances.

- As noted in 2.1 above, all stock items including liquids are recorded in TechOne as EACH instead of the ordering and issuing unit. This misalignment may cause irregularities in receipting, as well as issuing the correct quantities, resulting in incorrect inventory balances and errors in unit pricing.

- Delays in recording SIRs in TechOne were noted. (6/3 SIRs entered 13/3 Bexley; 1/3 SIRs entered post 14/3 Botany). These delays may be caused due to lack of resourcing. We also noted that there are delays in updating stock issues of workshop supplies e.g. engine oils and lubricants that are stored in the workshop. The Workshop Oil Issue Sheet completed by workshop staff when oils and lubricants are used in servicing the fleet and is provided to the Stores Officer only once the entire sheet is filled.

- A single item could be located in multiple areas within a bin location or at multiple sites. Bin locations have not been updated in Tech1 for the Botany Depot and all items are either in the OW, WH or NA categories. All stores items are located at DEPOT (BEXDEPOW, BEXDEPWH, BEXDEPWS, BEXDEPCO or NA) or BOTDEP (BOTDEPOW or NA). Physical bin locations could be at one or more sites and/or bins within a site. This results in negative stock balances in one location, as items may be issued from an incorrect one in TechOne.

- Stores item codes are not always written on the SIR by the requisitioning department and are required to be completed by the Stores Officers after the item is picked. The Project/Activity/Natural account number is not fully provided on the SIR by the requisitioning department and needs to be completed by the Stores Officer.

- Other matters for improvement include:

  - Unlike Botany, at Bexley, the SIR number is not entered as a reference in TechOne for ease of reference.

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15

BDO   **Detailed Findings**

- There are items in stores that are non-stock and included in the Stores Issue Requisition (SIR) when requisitioned by operations staff. For example, Mesh Fence at Botany and Soap, Grease and 2 Stroke Oil are non-stock items that are requisitioned on the SIR. Such items are not specifically referenced in the SIR as being non-stock.

A number of the matters discussed above could have caused variations that were noted during the random stock counts that we performed.(40% and 10% of the items we counted did not reconcile with TechOne balances at Botany and Bexley respectively).

Risks/Implications

- All SIRs may not be entered into TechOne accurately

- Incorrect stock item issued

- Incorrect location of stock item used to issue stores

- Inaccurate inventory values due to delays in updating receipts and issues

- Negative inventory balances

Recommendations

R8. Create a file/folder/sleeve where unrecorded SIR's are retained until they are recorded, to minimise the risk of SIR's being lost. When entered, each item issued should bear evidence of being entered into TechOne and signed by the Stores Officer. The delay in entering SIRs into TechOne should be minimised

R9. As discussed in Section 2.1, the units of measure in TechOne should be modified to reflect the ordering and issuing units. Similarly, location of store items should be streamlined.

R10. While full stocktakes are undertaken monthly, a regime of frequent random stocktakes, including therein higher usage stores items should be implemented to identify any irregularities or input errors.

16

BDO

Detailed Findings

R11. Aspects raised above as matters for improvement should be addressed. For ease of reference, SIR numbers should be referenced in TechOne. Items that are non-stock should be clearly identified in the SIR. Stores item codes and Project/Activity/Natural account numbers should be written on the SIR by the requisitioning department.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R8.		
R9.		
R10.		
R11.		

BDO

Detailed Findings

2.4. Obsolete Stores are not effectively managed

Risk Rating	Medium

Observations

Obsolete stock identification and disposal processes have yet to be developed and implemented. Such processes would include identifying slow moving, old or unused stocks, determining shelf life and deciding upon the strategy (retention, disposal or destruction) for stores items. A destruction certificate or equivalent that is independently signed as evidence of destruction has not been developed.

The current process is ad hoc where the Stores Officer may identify old or slow moving stock that may need to be disposed or destroyed e.g. boots that may have exceeded their shelf life. Discussions with the Coordinator Fleet Operations and Stores (CFOS) confirmed that any stores that are earmarked for destruction are placed in the Council's compactor trucks, including items such as the old Botany Council branded uniforms. Currently there have not been any instances where old or obsolete stores have been auctioned however, the cost / benefit of sending any higher value items to auction would be assessed by the CFOS.

Additionally, we noted that the recent disposal of Botany Council branded uniforms did not have any proof of disposal or destruction. While the entire stock of such uniforms has been written off in January 2019, we observed multiple boxes of these uniforms in the Botany secondary store (caged area).

Risks/Implications(impact = Low; likelihood = Likely; Risk = Medium)

- Increased and unnecessary inventory holding costs

- Financial loss

Recommendations

R12. Obsolete stock identification and disposal processes that include proof of disposal or destruction documents that are signed by an independent officer should be developed and implemented.

Bayside Council – Internal Audit of Inventory Management - April 2019

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18
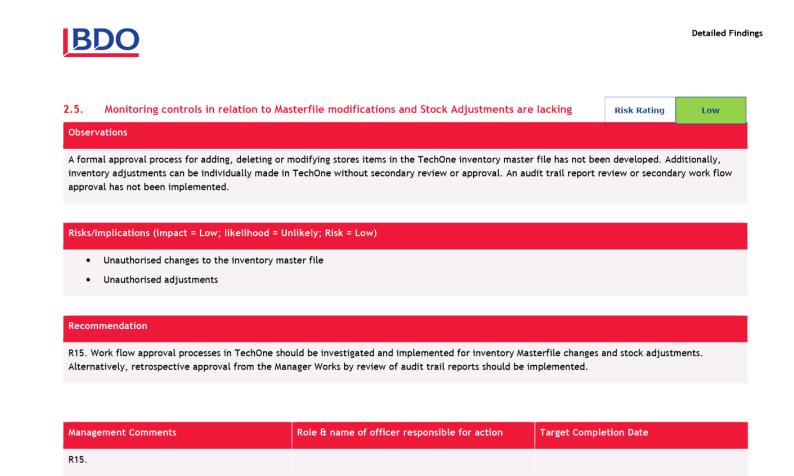
BDO   **Detailed Findings**

R13. Evidence of management approval on disposal or destruction documents should be retained.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R12.		
R13.		

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2.5.   Monitoring controls in relation to Masterfile modifications and Stock Adjustments are lacking | Risk Rating | Low |

Observations

A formal approval process for adding, deleting or modifying stores items in the TechOne inventory master file has not been developed. Additionally, inventory adjustments can be individually made in TechOne without secondary review or approval. An audit trail report review or secondary work flow approval has not been implemented.

Risks/Implications (impact = Low; likelihood = Unlikely; Risk = Low)

- Unauthorised changes to the inventory master file

- Unauthorised adjustments

Recommendation

R15. Work flow approval processes in TechOne should be investigated and implemented for inventory Masterfile changes and stock adjustments. Alternatively, retrospective approval from the Manager Works by review of audit trail reports should be implemented.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R15.		

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BDO Detailed Findings

2.6. Golf Course – Inventory Management controls are deficient in some areas

| Risk Rating | Low |

Observations

During our discussions, enquiry and internal audit testing, the following observations were made at the Golf Course:

- *Stocktakes reports and adjustments are not formally reviewed by the site managers* - Stocktakes are conducted by the supervisor, with the additional assistance of a Customer Service Officer. Stocktakes are manually input into an excel spreadsheet as the inventory is not linked to their POS system. The spreadsheet is then reviewed by the Finance Manager for a brief analysis of discrepancies or unusual movements and is then posted immediately by a second Finance officer. However, the detailed review would only be discussed with the site manager, if Finance have identified any discrepancies. The inventory sheets also do not provide evidence of thorough review by the site manager.

- *Stock movements are recorded, but are not verified and monitored* - Our discussions with the Finance Manager indicated that anomalies or major manual adjustments did not occur often and would mainly be related to food and drink write downs. The site supervisor completes the stock adjustments, rather than being 'approved' as such, and is sent to Finance who would do a reasonableness check. The stocktake spreadsheet is not reviewed against an official list of purchases and sales. The review would only be against write-downs and other adjustments and would be escalated to the Manager Sports and Recreation (Sue Matthews) if explanations by the Supervisor were not sufficient.

- *The POS and finance system does not record stock transactions and issues* - The current POS system is outdated and does not record stock levels, but rather the sales levels for each category of items, 'Green fees', 'Hire & Pro-shop', 'Food and drink' categories. Each time a sale is made, the customer service office would select the item particular on the POS system and if the customer records via EFTPOS, the item category would be manually written at the back of the merchant receipt for end of day reconciliation purposes. However, the current system is unable to extract a sales report to show a separate line item for each item of sale.

- *Items for hire by customers are not being monitored for use* - Items for hire include buggies, golf balls and sets of golf clubs. Customers are accustomed to using their own golf items and would occasionally require to hire. If a customer were to hire, it is the responsibility of the customer service officer to monitor and ensure the item is returned after use. However, there is no formal log book to monitor when a particular item was hired.

Risks/Implications

- Incomplete, invalid and incorrect inventory quantity and pricing adjustments are not detected and affect financial records.

- Misappropriation of inventory by staff members.

Bayside Council – Internal Audit of Inventory Management - April 2019
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21

BDO   **Detailed Findings**

- Missing sales opportunities due to obsolete stock or insufficient stock.

- Increased theft or instances of theft being undetected.

Recommendation

R16.

- The golf course should be set up as an inventory location in TechOne and its functionality should be utilised to manage inventory.

- Ensure the Site Manager reviews and signs the stocktake spreadsheet before stock adjustments and journals are entered into the Finance system; Audit trail reports of adjustments made should be generated, reviewed and approved by the site Manager

- As there is no linkage between the POS record of sales and the inventory spreadsheet, there should be a reconciliation between the POS reports and the sales recorded in the inventory spreadsheet. Inventory spreadsheets should be reviewed by the Site Manager along with report of sales from the POS system.

- Independent stocktakes should be commenced due to the current lack of separation of duties.

- Update the current POS system to allow accurate reporting of sales.

- Ensure a log book is maintained, including Item/s hired, date and time, customer name, DL Number and signature to ensure items are returned.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R16.		

BDO   **Detailed Findings**

2.7.   Aquatic Centre- Inventory Management controls are deficient in some areas | **Risk Rating** | **Low**

Observations

During our discussions, enquiry and audit testing, the following observations were made at the Aquatic Centre:

- *Informal stocktake reports are produced, but do not record or ensure monitoring of stock movements* – A stock count is informally conducted by one senior officer on an ad hoc basis, particularly when an item of stock is purchased and received. Audit testing for January 2019 revealed a list of all items for sale, the price, amount sold, expected stock and the actual stock. However, the report does not account for potential write-offs, transfers, cost variances of stock etc. The report is simply used for forecasting purchases.

- *Stocktake reports are not reviewed* – We note that inventory values are very minimal, but if stock variances do occur, there is no evidence of review and approval by the supervisor. Subsequently, stocktake reports do not get sent or reviewed by Finance and the Site Manager. We were informed by the Finance Manager, William Hooke, that a new stock management process will be in place for the Aquatic centre for the month of February.

- *Required minimum or maximum quantities are not in place* – Purchases are approved by the Site Manager and are not required on a regular basis due to the low volume of inventory sold. However, established stock amounts would enable supervisors and site managers to monitor and control inventory levels, particularly if n stock orders for items are not required.

Risks/Implications

- There is a risk that inventory is not accounted for appropriately.

- Increased theft or instances of theft being undetected.

- Incomplete, invalid and incorrect inventory quantity and pricing adjustments are not detected and affect financial records.

- Increase in costs due to an excess or shortage of stock.

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Recommendation

R17. It is recommended that Bayside:

- Ensure stocktake reports are reviewed by Finance and the Site Manager with evidence of signature;

- Validate stock purchases and sales to the actuals and resolve differences with appropriate approval;

- Conduct periodic stocktaking with a formalised stocktake process to monitor stock movements; and

- Establish maximum and/or minimum stock levels on stock count sheets for purchasing purposes.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R17.		

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24

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2.8.   Tennis and Squash Courts- Inventory Management controls are deficient in some areas

Risk Rating	Low

Observations

During our discussions with the supervisor, we were informed that the items for sale and hire include rackets (purchased and gifted by customers), balls and grips. Generally customers bring their own equipment. Given these circumstances, stock is kept at minimal levels due to the low level of sales and purchases. However, the following observations were made:

- *Stocktakes are not conducted and reviewed* – With a stock value of less than $1,000, we can recognise a weekly or monthly stock would not be suitable for the site. The supervisor has advised that any stock that has been sold or received is recorded in his diary and he would provide Finance with the diary at the end of financial year or when required. However, there is no evidence with Finance that this diary is a key point for inventory review. Additionally, there is no official consolidated documented list of stock.

- *Stock discrepancies are not recorded, monitored and escalated to Manager Sports and Recreation and Finance* - There is no formal record of items for sale and for hire. Our interview with the supervisor, indicated that purchases were not regular, usually every 3 to 4 months as required. There is no monitoring of stock movements, including sales and purchases.

- *Items for hire by customers are not regularly monitored for use* - If a customer were to hire a racket, the supervisor would be responsible for monitoring the return of the item. There is no formal log book to show when a particular item was hired. This would inevitability ensure that any damage, that is likely to be minor, can be satisfactorily explained, reviewed and monitored by the site manager.

Risks/Implications

- There is a risk that inventory is not accounted for appropriately.

- Increased theft or instances of theft being undetected.

- Incomplete, invalid and incorrect inventory quantity and pricing adjustments are not detected and affect financial records.

Bayside Council – Internal Audit of Inventory Management - April 2019

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25

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Recommendation

R18. It is recommended that Bayside:

- Conduct periodic stocktaking with a formalised stocktake process to monitor stock movements.

- Ensure stocktake reports are reviewed by Finance and the Site Manager with evidence of signature.

- Validate stock purchases and sales to the actuals and resolve differences with appropriate approval.

- Formally ensure a log book is maintained, including Item/s hired, date and time, customer name and signature.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R18		

Bayside Council – Internal Audit of Inventory Management - April 2019

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26

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APPENDIX A: Listing of Bayside Stakeholders interviewed

Stakeholders
Bobbi Mayne, Manager Procurement
Kate Kennedy, Coordinator Fleet Operations and Stores
Steven Calleja Stores Officer Bexley Depot
Glen Johns, Acting Stores Officer Botany Depot
Melissa Jones, Stores Officer Botany Depot
Matthew Walker, Manager Finance
Chris O'Connor Finance
William Hook, Treasury Officer
Arthur Kotopoulis, Botany Golf Course
Paul Ferrougia, Squash Courts
Sandy Davis, Aquatic Centre

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27

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APPENDIX B: List of documents reviewed

Inventory Trial Balances

Stock Count Sheets

Stock Adjustment and Finalisation Sheets

Inventory Transactions

Stores Issue Requisitions

Inventory Management - Process Operational Procedures

NSW Audit Office - 2016-2017 financial accounts

Data Fuel Reports and Reconciliations

Inventory Management - Change and Implementation

Inventory Reconciliations

Golf Pro Shop Procedures

Golf Course Ledger day reports

Prices

Links Reconciliation Reports

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28

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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.

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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

30

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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

Risk & Audit Committee   **23/05/2019**

Item No	5.6
Subject	**2018/19 Audit Plan Status Report**
Report by	Natasha Balderston, Internal Auditor
File	F12/156.002

Summary

The purpose of this report is to highlight to the Risk & Audit Committee the progress made on the 2018/19 Internal Audit Plan and to bring to its attention the audits that are still left to be undertaken by the end of this financial year.

Officer Recommendation

That:

1   the progress made on the 2018/19 internal audit plan is noted;

2   the internal audits yet to be undertaken for 2018/19 and the timing of these audits be noted;

3   the Committee considers the proposal to defer the Asset Management audit to Q2 2019/20; and

4   that, if satisfied, the Committee endorses and approves the deferment of the Asset Management audit to 2019/20

Background

BDO developed a four year internal audit plan, from 2018/19 to 2021/22, which was endorsed by the Executive Committee then the Risk & Audit Committee on 23 August 2018. The progress of the 2018/19 plan is as follows:

No.	Scheduled Date	Audit Area	Status
Special Internal Audits			
1		Review of ICAC recommendations to confirm the progress made in the recommendations.	Completed
2		Review AG recommendation as per 2016/17 management letters to confirm the progress made in the implementation.	Completed
3		Follow up on the status of the health checks conducted in 2017/18.	Completed
Health Checks			

No.	Scheduled Date	Audit Area	Status
4		Meals on Wheels	Completed
5		Accounts Payable	In Progress - Overdue
6		Fraud and Corruption Framework - Development	In Progress - On Schedule
Detailed Audits			
7		Cash Handling	Completed
8		Inventories	Completed
9		Information Technology - review of general controls	Completed by Audit Office
10		Asset Management - property, facilities, infrastructure, plant/equipment and fleet	Requesting deferment
11		Rates and Other Charges	In Progress - On Schedule
12		Procurement	Deferred as agreed by Committee
13		DAs, VPAs and S7.11 contributions	Starting in June
Other Internal Audit Activities			
14		Review of risk management and update of strategic/annual internal audit plans.	Completed
15		Follow up review of the implementation of previous year's internal audit and external audit recommendations.	Completed
16		Consolidation of internal audit recommendations in a formal recommendations register.	Completed
17		Attendance at and reporting to the Risk & Audit Committee.	Completed

In summary, to date:

- 11 of the above internal audit assignments have been completed
- 2 are in progress and on schedule
- 1 is in progress and overdue
- 1 has been approved with approval from the Risk and Audit Committee.

The DA, VPA and S7.11 contributions audit is scheduled to commence in June 2019. Internal Audit is going through the procurement process currently to determine the most suitable audit firm to provide this service.

Due to the pressure on staff and resources in completing Project 2020, the Executive has approved the deferral of the Asset Management audit to Q2 2019/20. The Internal Auditor is

asking for the Committee to consider this request and approve a deferral of this audit to the suggested time. The Executive has shown a commitment to allowing Internal Audit to use the budget allocated for this audit in the upcoming year to ensure that the completion of the current audits are not impacted.

More details on all planned audits and their statuses are in the attachment to this report.

In addition to the items in the 2018/19 audit plan, BDO is also currently undertaking a stock take of all plant, fleet and equipment, including reviewing the process for recording and disposal of fleet. If the testing is deemed sufficient in this review, these areas will be removed from the scope of the asset management audit.

This report will be made available to the Executive and the Risk & Audit Committee once it has been submitted by BDO.

Attachments

2018/19 Audit Plan Status Report ⇩

Status Report - Internal Audit Plan 2018/19

Last Update - 24/04/2019

Item No	Internal Audit Area	Audit Comments	2018/19	2019/20	Status	Auditor Comments	Date to Risk and Audit Committee
1.	Review of ICAC recommendations to confirm the progress made in implementation.		X	-	Completed for FY 2018/19	This will be absorbed into the Project 2020 Plan. Internal Audit will continue to monitor and verify the completion of this.	28 February 2019
2.	Review of AG recommendations as per 2016/ 2017 management letters to confirm the progress made in implementation.		X	-	Completed for FY 2018/19	This will be absorbed into the Project 2020 Plan. Internal Audit will continue to monitor and verify the completion of this.	28 February 2019

Status Report FY 2018/19

Item No	Internal Audit Area	Audit Comments	2018/19	2019/20	Status	Auditor Comments	Date to Risk and Audit Committee
3.	Follow up of the status of health checks conducted in 2017 /2018. These include: • External contractor management. • Procurement. • Payroll. • Employees' mandatory licences etc. In addition, O/S legacy audit issues should be reviewed.		X	-	Completed for FY 2018/19	Will be re-reviewed for the November meeting. Expectation is that the WHS and Payroll health checks would have been completed by then.	28 February 2019
4.	Health Check 1 - Peer Review of Meals on Wheels	Agree by Executive Committee	X	-	Completed		
5.	Cash handling	This will include cash held at commercial entities such as the golf club, aquatic centre, squash court and other locations, as applicable. This has been and historical issue for BBC.	X	-	Completed		25 May 2019

Item No	Internal Audit Area	Audit Comments	2018/19	2019/20	Status	Auditor Comments	Date to Risk and Audit Committee
6.	Information technology	Information technology. It is considered that best value will be obtained in 2018/2019 with an IT General Controls internal audit. This is required by the AGs and will include the review of change management (applications, databases, operating systems), IT security including access (would cover same three levels as for change management) and DRP/backups/restore/ batch processes, etc. It is suggested that in the following years more focused internal audits be undertaken covering application control reviews (TechOne, iChris, Pathways), review of IT governance (strategy, IT policies, structure, IT risks, outsourcing, IT projects, infrastructure management) and review of IT security policies/ vulnerability testing) **In 2018/19 to be undertaken by NSW Audit Office. With subsequent years to be determined.**		X	Completed	Recommendations being monitored as part of Project2020 and by Acting Manager IT. To be presented to the Audit Committee for monitoring until recommendations are implemented and verified by Audit	28 February 2019
7.	Review of risk management profile and update of Strategic / Annual Internal Audit Plans.		X	X	Completed.		23 May 2019

Item No	Internal Audit Area	Audit Comments	2018/19	2019/20	Status	Auditor Comments	Date to Risk and Audit Committee
8.	Follow up review of the implementation of previous years' internal audit and external audit recommendations.			X	Completed	This will be reviewed in Pulse moving forward. Presentation of the system, recommendations and management comments at the next Audit and Risk Committee meeting.	23 May 2019
9.	A special internal audit project to consolidate BC's internal audit recommendations into a formal Recommendations Register is planned for 2018 / 2019. This would be followed up in subsequent years- see Item 44 above.		X	-	Completed.	All IA, health check and AG recommendations have been inputted into the Pulse system	23 May 2019
10.	Attendance at and reporting to the Audit, Risk and Improvement Committee.		X	X	Completed.		
11.	Health Check 3 - Fraud & Corruption Review	Agreed by Manager G&R (recommendation from NSW Audit in Management letter on 2016/17 Accounts)	X	-	In Progress - On Schedule.	Project has been scoped and to commence week beginning 29 April 2019.	22 August 2019
12.	Health Check 2 - Accounts Payable	Agreed in response to NSW Audit Office	X	-	In progress - Overdue.	There was a delay in completing the Accounts Payable checklist. Audit review to commence week beginning 29 April 2019.	22 August 2019

Item No	Internal Audit Area	Audit Comments	2018/19	2019/20	Status	Auditor Comments	Date to Risk and Audit Committee
13.	Inventories held at two depots and ancillary locations. Will consider AG issue of underground tanks at Bexley Depot.	Will consider AG issue of underground tanks at Bexley Depot.	X	-	Completed.		23 May 2019
14.	Asset management - property, facilities, plant / equipment and fleet	This would include maintenance, leases, licences, acquisitions, disposals.	X		Requesting deferment.		22 August 2019
15.	Rates and other charges management	This would include pensioner concessions and non-rateable properties.	X	-	Commenced.		22 August 2019
16.	DAs, VPAs a Section 94 / 94A contributions	This will include completion of the ICAC Internal audit Checklist.	X	-	To commence in June.	We have obtained quotes from three suppliers and are currently in the process of making a decision on how to move forward. Due to the complex and complicated nature of this audit, we believe any of these firms would be able to provide the necessary expertise to understand the nature of this business and undertake a deep dive audit.	22 November 2019

Item No	Internal Audit Area	Audit Comments	2018/19	2019/20	Status	Auditor Comments	Date to Risk and Audit Committee
17.	Procurement / purchasing	This is considered to be a high risk area and should be done early. This will include policies and procedures, tendering and master file changes.	X	-	Deferred.	Procurement health check has been providing oversight in the interim over this function. Audit to be deferred to 2019/20 financial year when the new Manager commences. Approved by Audit Committee: 28 March 2019	
18.	Human resource management	The nature of the internal audit focus needs to be specified. We would recommend a review of resource planning, recruitment / selection processes, performance management or training.	-	X	Commenced.	This has been brought forward to replace the Procurement audit. The Manager POC has been consulted and has agreed to this.	22 August 2019

Risk & Audit Committee   23/05/2019

Item No	5.7
Subject	**Revised 3 Year Audit Plan**
Report by	Natasha Balderston, Internal Auditor
File	F12/156.002

Summary

Internal Audit has reviewed and updated a 3 year audit plan. The primary focus of the review was to develop a more robust audit plan for the coming financial year i.e. 2019/20. As part of the review, consideration was given to the Strategic Risk Register, Auditor General's letters, analysis of work currently in progress, observation of the business in general and feedback from the Risk & Audit Committee. The 2019/20 internal audit plan covers a variety of areas and primarily focuses on 4 directorates.

Officer Recommendation

That the Risk & Audit Committee receives and notes the 3 year internal audit plan, including the internal audits for 2019/20.

Background

In preparation for the new financial year, Internal Audit has reviewed the existing three year internal audit plan and revised the plan for 2019/20. In revising the plan, Internal Audit has considered the existing Strategic Risk Register, findings from the Auditor General's letter, analysis of audit work still in train, observations of the business and feedback from the Risk & Audit Committee.

Please note the deferral of the Asset Management audit from 2018/19 to 2019/20 is dependent on the Committee approval. Internal Audit has requested for this in the status report for the current financial year (2018/19). It has been added to 2019/20's audit plan in the interim.

The table below highlights the areas to be reviewed and provide a general timeframe of when these audits will be undertaken.

No.	Audit	Directorate	F/Y Timeframe
1	Review the status of implementation of recommendations included in the ICAC Report and AG's Management Letters, which are now part of Project 2020	All Directorates	Q1, Q2, Q3, Q4
2	Follow up review of the implementation of previous years' internal audit and external	Internal Audit	Q1, Q2, Q3, Q4

No.	Audit	Directorate	F/Y Timeframe
	audit recommendations.		
3	Attendance at and reporting to the Risk & Audit Committee.	Relevant Directorates	Q1, Q2, Q3, Q4
4	DRIVES System	City Life	Q1
5	Event Management	General Manager's Unit	Q1
6	Customer Service Management	City Life	Q1
7	Follow up of the status of health checks conducted in 2017 /2018.	City Performance General Manager's Unit	Q2
8	Health Check: Review of Council's commercial businesses - childcare centres, golf course, pools and squash courts.	City Life	Q2
9	Procurement – Purchasing, Contract Management, Store Cards and Credit Cards.	City Performance	Q2
10	Asset Management – Property, Facilities, Infrastructure, Plant, Fleet and IT.	City Performance	Q2
11	Accounts Payable	City Performance	Q2
12	Change Management	All Directorates	Q3
13	IT – IT Governance, IT Security and IT Project Management	City Performance	Q3
14	Parks and Open Spaces	City Presentation City Life	Q3
15	Corporate Risk Register	City Performance	Q4
16	WHS – Framework and Compliance	General Manager's Unit	Q4
17	Fraud and Corruption Prevention	City Performance	Q4
18	Review of risk management profile and update of Strategic / Annual Internal Audit Plans.	Internal Audit	Q4

It is important to note that audits commencing in late May and June will cross into Q1 of the new financial year.

In order to ensure the audits scheduled are carried out with professionalism and the right expertise, Internal Audit will be commencing a procurement process to assemble a panel of audit firms to assist in carrying out the planned audits.

The updated 3 year audit plan, including the detailed internal audit 2019/20 plan is attached for your review. Please note the 3 year audit plan is only indicative and will change according to the organisation's strategic risk register and the business environment in which it operates. The 3 year plan will be reviewed on a yearly basis and focus will be placed on developing a robust audit program for the next financial year.

Attachments

1   FINAL - Review of 2020 Internal Audit Plan - May 2019 ⇩
2   FINAL - Updated Strategic Internal Audit Plan - 3 Year Plan - May 2019 ⇩

BAYSIDE COUNCIL (BC)
Internal Audit Plan for the Year
Ending 30 June 2020.

May 2019

BDO

Distribution	
Party	**Title**
Meredith Wallace	General Manager, BC
Michael Mamo	Director, City Performance, BC
Fausto Sut	Manager, Governance & Risk, BC
Natasha Balderston	Internal Auditor, BC
Sean Pascoe	Partner, BDO
Steve Kent	Associate Director, BDO

BDO

In conjunction with BC's Internal Auditor, BDO has prepared an Internal Audit Plan for the Year Ending 30 June 2020. Unless stated otherwise, the Plan represents the Plan previously provided in the redrafted Strategic Internal Audit Plan for 2019 – 2022.

Item No	Strategic Risk Register descriptions	Internal Audit Area	Original Comments	BC Risk Ratings or Not Rated – NR	BDO Risk Rating or Not Rated- NR	Notes
		SPECIAL INTERNAL AUDITS				
1	Delivery of transition projects and implementation of ICAC and AGs recommendations.	Review of the status of implementation of recommendations included in the ICAC Report and AG's Management Letters and now part of Project 2020 **(High level)**		M	M	This is a new internal audit that was requested by BC's Internal Auditor.
2.		Follow up of the status of health checks conducted in 2017 /2018. These include: • External contractor management. • Procurement. • Payroll **(High level)**. • Employees' mandatory licences etc. **(High level)**		NR	NR	External contractor management and procurement follow up reviews will be combined with the planned detailed internal audits of these two areas. Refer Items 12 and 19. Follow up reviews of payroll and licences which were not included in the original Strategic Internal Audit Plan will be conducted fro completeness.
		HEALTH CHECKS				
3.		Health Check - This will cover Council's commercial businesses which includes childcare centres, gold course, pools and squash courts **(High level)**.		NR	NR	

3

BDO

Item No	Strategic Risk Register descriptions	Internal Audit Area	Original Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	Notes
		DETAILED INTERNAL AUDITS				
4.	Deliver of new IT platforms and business applications and IT security threats.	Information Technology (Detailed)	**Information technology.** It is considered that best value will be obtained in 2018/2019 with an IT General Controls internal audit. This is required by the AGs and will include the review of change management (applications, databases, operating systems), IT security including access (would cover same three levels as for change management) and DRP/backups/restore/batch processes, etc. It is suggested that in the following years more focused internal audits be undertaken covering application control reviews (TechOne, iCriss, Pathways), review of IT governance (strategy, IT policies, structure, IT risks, outsourcing, IT projects, infrastructure management) and review of IT security policies/vulnerability testing). **A**	H	H	In 2019, the AGs conducted an IT General Controls Review. It is proposed in 2020, that a composite IT security / project management/governance review be conducted, benchmarking Council against better practice. These areas are considered to be high risk for Council.

4

BDO

Item No	Strategic Risk Register descriptions	Internal Audit Area	Original Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	Notes
			different IT internal audit would be conducted each year.			
5.		Procurement / purchasing, contract management, store cards and credit cards (Detailed)	This is considered to be a high risk area and should be done early. This will include policies and procedures, tendering and master file changes. Contract management will cover consultants, contractors and any partnering/outsourcing agreements. Before undertaking a contracts register needs to be developed (this is planned).	NR / M	H / H	The procurement internal audit was brought forward from the 2018/2019 Plan given that a follow up health check was conducted in that year. We have also combined the procurement internal audit with contract management which was due in 2019/2020. This was subject to a follow up review in 2018/2019.
9.		Asset management - property, facilities, plant / equipment and fleet	This would include maintenance, leases, licences, acquisitions, disposals.	M	H	
6.		DRIVES System (Detailed)	This is a compulsory internal audit undertaken to meet RMS requirements for compliance with system access.	NR	M	The audit is that is currently undertaken internally by BC.
7.	Failure to manage financial obligations.	Key financial processes - AP (Detailed)	This will cover: • AP • AR and provisioning	L	M	We will specifically undertake a review of AP and review the other items in following years.

5

BDO

Item No	Strategic Risk Register descriptions	Internal Audit Area	Original Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	Notes
			• Reconciliations • GL • Journals			
8.		Corporate risk management (Detailed)	This will involve a review of the organisation's risk management framework which will include policy, strategy, risk registers (strategic and operational) and risk plan.	L	H	It is proposed to review the organisation's risk management framework in detail against better practice.
9.	Workplace risks associated with fatigue.	WHS compliance framework (Detailed)	This is a high risk compliance area that applies across Council. The review is focused on the overarching framework.	L	H	
10.	Failure to implement ICAC and AGs recommendation, particularly for fraud and corruption prevention.	Fraud and corruption prevention management (High level)	This could be the development of the F&C framework by the Risk Team or a fraud and corruption risk assessment using the AG's fraud control improvement toolkit. This should be undertaken every three years.	L	H	We are currently (in 2018/2019) undertaking a high level review of fraud and corruption, benchmarking against the AGs fraud improvement checklist / tool. It is planned that a follow up review be undertaken in 2019/2020 to assess how far fraud and corruption prevention better practices have been embedded in the organisation.
11.	Inability to manage risks associated with large crowds.	Event management (Detailed)	This will focus on compliance with Council's policies and procedures, risk management,	VH	M	

6

BDO

Item No	Strategic Risk Register descriptions	Internal Audit Area	Original Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	Notes
			planning, engagement of suppliers and volunteers etc.			
12.	Customer service does not meet community expectations.	Customer service management (high level)	This will include complaints management.	M	M	This internal audit has been brought forward from 2021/ 2022 at the request of BC's Internal Auditor.
13.	Failure to adopt new culture and values and workplace risks associated with change fatigue.	Change management (Detailed)	Given the significant change that Council has undergone, it may be useful if a change management review was undertaken, including surveying staff. Change fatigue was noted as a strategic risk.	M/L	H	
14.		Parks and gardens (High level)	This will cover bookings, maintenance, enforcement, WHS etc.	NR	NR	This is a new internal audit requested by the BC Internal Auditor. Not audited previously and seen as high risk.
		OTHER INTERNAL AUDIT ACTIVITIES				
15.		Review of risk management profile and update of Strategic / Annual Internal Audit Plans.		NR	NR	This is done at the beginning of each internal audit year.
16.		Follow up review of the implementation of previous years' internal audit and external audit recommendations.		NR	NR	To be undertaken by the BC Internal Auditor

7

BDO

Item No	Strategic Risk Register descriptions	Internal Audit Area	Original Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	Notes
17.		Attendance at and reporting to the Audit, Risk and Improvement Committee.		NR	NR	

8

BAYSIDE COUNCIL (BC)
Updated Strategic Internal Audit
Plan: 2020 -2022

May 2019

BDO

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

BDO

Appendix H- D

In conjunction with BC's Internal Auditor, we have updated BC's Strategic Internal Audit Plan for the three years ending 30 June 2022 (X denotes the planned year of completion)

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2019/20	2020/21	2021/22
	SPECIAL INTERNAL AUDITS						
1.	Follow up reviews of the status of implementation of ICAC and AGs recommendations to confirm the progress made in implementation and now part of 2020 Project.		M	M	X	X	-
2.	Follow up of the status of health checks conducted in 2017 /2018. These include: • External contractor management. • Procurement. • Payroll. • Employees' mandatory licences etc.	For Payroll and Employees' licences only for 2019/2020. Contractor management and procurement will be incorporated in detailed review in Item no 6.	NR	NR	X		-
	HEALTH CHECKS						
3.	Health Check 1 - This will be a review of BC's commercial businesses.		M	NR	X		X
4.	Health Check 2 - Cash handling	This will include cash held at commercial entities such as the golf club, aquatic centre, squash court and other locations, as applicable. This has been and historical issue for BBC.	H	L	-	X	-

3

BDO

Appendix H- D

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated-NR	2019/20	2020/21	2021/22
	DETAILED INTERNAL AUDITS				-	-	-
5.	Information technology	**Information technology**. It is considered that best value will be obtained in 2018/2019 with an IT General Controls internal audit. This is required by the AGs and will include the review of change management (applications, databases, operating systems), IT security including access (would cover same three levels as for change management) and DRP/backups/restore/ batch processes, etc. It is suggested that in the following years more focused internal audits be undertaken covering application control reviews (TechOne, iCriss, Pathways), review of IT governance (strategy, IT policies, structure, IT risks, outsourcing, IT projects, infrastructure management) and review of IT security policies/ vulnerability testing). **A different IT internal audit would e conducted each year.**	H	H	X		
6.	**Procurement / purchasing, contract management, store cards and credit cards.**	This is considered to be a high risk area and should be done early. This will include policies and procedures, tendering and master file changes.	NR	H	X	-	-
7.	DRIVES System	This is a compulsory internal audit undertaken to meet RMS requirements for compliance with system access.	NR	M	X		
8.	Key financial processes	This will cover: • AP	L	M	X	X	X

4

BDO

Appendix H- D

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2019/20	2020/21	2021/22
		• AR and provisioning • Reconciliations • GL • Journals and spread over three years.					
9.	Asset management - property, facilities, plant / equipment and fleet	This would include maintenance, leases, licences, acquisitions, disposals.	M	H	X		-
10.	Grants management	This would include both received and paid.	L	M	-	X	-
11.	Payroll and leave management	This will include all major forms of leave.	L	H	-	X	-
12.	Compliance and regulatory enforcement	This was consolidated with certification but should be separated. Includes environmental, safety, health, building / fire compliance, parking and animal management, together with investigations.	L	M	-	X	-
13.	Certifications	Covers building, construction, occupation, fire, pool and other certifications, including PCA activities.	L	M	-	X	-
14.	Budget setting and management reporting	Have consolidated budget setting and management reporting which are related.	L	M	-	X	-
15.	Corporate risk management	This will involve a review of the organisation's risk management framework which will include policy, strategy, risk registers (strategic and operational) and risk plan.	L	H	X	-	-

5

BDO

Appendix H- D

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2019/20	2020/21	2021/22
16.	Human resource management	Recruitment / selection processes, performance management covered in 2018/2019.	L	H	X	-	X
17.	WHS compliance framework	This is a high risk compliance area that applies across Council. The review is focused on the overarching framework.	L	H	X	-	-
18.	Performance monitoring and reporting	It is assumed that this internal audit was included to accommodate the foreshadowed changes in the LG Act in regard to performance reporting.	L	M	-	X	-
19.	Integrated planning and reporting including strategic, operational and delivery plans	This would be focused on compliance with OLG requirements.	L	H	-	X	-
20.	Fraud and corruption prevention management.	This is a follow up review aimed at ensuring fraud and corruption processes are embedded in the organisation.	L	H	X	-	-
21.	Business continuity management (BCM)	This would involve reviewing the organisation's BCP, DRP and CMP against better practice and its testing regime.	L	H	-	-	X
22.	Treasury and investment management	This would include Council's investment management strategy and supporting process.	L	M	-	-	X
23.	Project management	This would include reviewing Council's project management methodology against better practice and reviewing a selection of projects - construction , IT (post implementation reviews – e.g transfer to cloud (Gov DC) etc.	NR	H	X(included in 5 above for IT)	X	-

6

BDO

Appendix H- D

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2019/20	2020/21	2021/22
24.	Recording and distribution of zoning information, rezoning applications and planning certificates	Considered to be a high risk area based on past experience in regard to the recording =, communication and checking of information.	NR	H	-	X	-
25.	Legislative compliance	This would include a review of Council's legislative compliance framework, if in place and include Privacy.	NR	H	-	-	X
26.	Event management	This would focus on compliance Council's policies and procedures, risk management, planning, engagement of suppliers and volunteers etc.	NR	M	X	-	-
27.	Customer service management	This would include complaints management.	NR	M	X	-	-
28	Change management	Given the significant change that Council has undergone it may be useful if a change management review was undertaken, including surveying staff. Change fatigue was noted as a strategic risk.	NR	H	X	-	-
29.	Conflicts of interest	Will include Disclosures of Pecuniary Interests	NR	H	-	-	X
30.	Records management	Focus will be on compliance and if applicable integration of TRIM with TechOne.	NR	M	-	-	X
31.	Business improvement management	This will focus on the effectiveness of the Business Improvement Unit.	NR	M	-	-	X
32.	Parks and gardens	This will cover bookings, maintenance, enforcement, WHS etc.	NR	NR	X	-	-
33.	Major Projects	This area has not been reviewed since the Council amalgamated. Considering the value of the projects and the potential high risks involved in it, it would be beneficial to	NR	NR		X	

7

BDO

Appendix H- D

Item No	Internal Audit Area	Comments	BC Risk Ratings or Not Rated - NR	BDO Risk Rating or Not Rated- NR	2019/20	2020/21	2021/22
		review the end to end process of major projects.					
	OTHER INTERNAL AUDIT ACTIVITIES						
34.	Review of risk management profile and update of Strategic / Annual Internal Audit Plans.		NR	NR	X	X	X
35.	Follow up review of the implementation of previous years' internal audit and external audit recommendations.		NR	NR	X	X	X
36.	Attendance at and reporting to the Audit, Risk and Improvement Committee.		NR	NR	X	X	X

8

Risk & Audit Committee   23/05/2019

Item No	5.8
Subject	**Audit & Health Check Recommendations Progress Update**
Report by	Natasha Balderston, Internal Auditor
File	SF19/209

Summary

This report provides an overview of the progress made on implementing audit recommendations and the status of these recommendations. The assessment was done by the business areas and the respective control owners. All areas have some matters as overdue. Internal Audit will verify the implementation of these recommendations and controls as part of its 2019/20 audit plan. Internal Audit considers the status of the Procurement and Contractor Management Health Checks as High Risk.

Officer Recommendation

That the Committee receives and notes the status on the internal audit and health check recommendations.

Background

In January 2019, Bayside Council commenced the use of the Pulse system to capture audit findings and recommendations. In February, the audits which still had recommendations to be implemented and were thus, open audit issues were added to this system for tracking. Currently, the open audit issues and recommendations in the system relate to the audits completed for the former City of Botany Bay Council and the health checks which commenced in the first year of the amalgamated Council.

The status of these issues and recommendations are as follows:

Internal Audits

Parks and Gardens

There are three issues and twelve corresponding recommendations outstanding. The three issues are as follows:

1   Identification and completion of parks maintenance works could be more proactive.

Progress: The due date for the implementation of the recommendations to remediate this issue was due on 31 January 2019. Management comments by the business area has resulted in the completion date being pushed back to July 2020.

Status: Overdue.

Reason: There were some discussions surrounding the use of an iPad and the iAuditor system to remediate this issue. The reasonableness of that solution to resolve the issue identified is still being investigated and examined.

Internal Auditor comment: *It is imperative that an interim measure be put in place to manage the risks associated with this issue while a technology response is being finalised. It is important for management to note this issue has been present since the formation of this Council in 2016.*

2   Lack of clear guidelines in place to manage the booking process*.*

3   It is unclear what types of events require a formal booking to be made.

Progress for 2 and 3: The due date for the implementation of the recommendations to remediate this issue was due on 31 December 2018. Management comments by the new Manager Sport & Recreation have now resulted in a revised completion date of Quarter 2, FY 2019/20.

Status for 2 and 3: Overdue

Reason: Council has had several Managers Sport & Recreation since its formation in September 2016. The Co-ordinator has also resigned. The current Manager recently commenced and is in the process of hiring a Coordinator, who will be responsible for the completion of the implementation of these recommendations.

Internal Audit comments: *The booking of parks, ovals and sporting fields is a public service provided by Council. Having clear guidelines ensures there is consistency in the way these bookings are taken and managed and reduces the risk of complaints and accusations of bias from the public. It is also important for management to note this issue has been present since the formation of Bayside Council in 2016.*

Leave

There are two recommendations outstanding as follows:

1   The Manager People & Organisation Culture, or delegate, should update the Payrun Standard Operating Procedures (SOP) Manual to fully reflect current payroll processes.

2   The updated SOPs manual should be kept in soft copy on the Payroll shared drive.

Progress for 1 and 2: The due date for the implementation of these recommendations were 28 February 2019. The Manager People & Organisation Culture has advised that 5% of this project has been completed and has provided a revised due date of December 2019.

Status for 1 and 2: Overdue

Reason: Other projects, such as Project 2020 and the implementation of iChris and Vault systems have taken the focus and resources away from completing the SOPs Manual.

Internal Audit comments: *The SOPs Manual provides a guideline to internal staff on how the payroll should be processed. It would provide instructions on segregation of duties, methodology to input, change and save information and a step by step guide on how to move through the pay process. This document will be especially useful if the team has a new staff*

member or training is required for existing staff.

It is also important to note these recommendations have been present since the formation of Bayside Council.

Health Checks

Procurement

BDO completed a follow up on this health check in Quarter 2, FY 2018/19 and made nine recommendations from their review.

One of these recommendations was due on 28 February 2019 and is now Overdue.

- This recommendation is in relation to the Procurement Guidelines being endorsed by the Executive Committee. The Acting Manager Procurement advised that Procurement Guidelines are completed in draft form.

Two of these recommendations are due by the end of July 2019.

- One of these recommendations is in relation to exploring the features in TechOne to assist in data analysis for reporting to management and is currently On Hold.

Five of these recommendations are due by end of June 2020.

- These recommendations have not yet commenced and will be given to the new Manager Procurement for implementation.

One of these recommendations is due by the end of June 2021.

- This recommendation relates to overseas purchases through credit cards which do not have a PO number. The implementation of this recommendation has not yet commenced.

Internal Audit comments: *The Procurement function was scheduled for an audit as part of the 2018/19 audit plan but the audit has been rescheduled for 2019/20. The progress of the implementation of the recommendations will be monitored as part of the 2019/20 audit plan. The new Manager Procurement commenced duties on 29 April 2019 and has been briefed in relation to the work at hand.*

Internal Audit rates this health check as High Risk.

Contractor Management

BDO completed a follow up on this health check in Quarter 2, FY 2018/19 and made eight recommendations from their review.

One recommendation was due at the end of March 2019 and is now Overdue.

- This recommendation is in relation to finalising the standard procedures required for contractors to be registered on the BNG service. The progress of this project is On Hold.

One recommendation was due at the end of April 2019 and is now Overdue.

- This recommendation is in relation to completing the transition of the contract register to TechOne to facilitate the process of regularly reviewing the panel of approved vendors. The progress of this project is On Hold.

Five recommendations are due at various times in June 2019.

- Two of these recommendations are On Hold.
- The recommendations relate to completing the transition of the contracts register to TechOne for tracking of the contractor spend (due 19 June 2019) and reviewing of processes relating to contractor health and safety (due 28 June 2019).

One recommendation is due at the end of September 2019.

Internal Audit comments: *It is important to note that while Procurement has overall responsibility for this process, there are many different business areas such as WHS and the operational areas, who have elements of responsibilities. There are many factors that determine the ability to progress the development and implementation of process and thus it would be understandable if there have been lags in the process.*

However, this health check commenced in the first year of the formation of Bayside Council and more progress should have been made. It is imperative that Council has a strong governance and controls framework supporting the contractor management process to reduce the risk of fraud.

As a result, Internal Audit rates this health check as High Risk.

Payroll

BDO completed a follow up on this health check in Quarter 2, FY 2018/19 and made eight recommendations from their review.

Five recommendations have been implemented and are deemed completed by the business area. Internal audit will carry out testing in Quarter 1, FY 2019/20 to confirm the implementation and effectiveness of the control.

One recommendation was due in February 2019 and is now Overdue.
- This recommendation is in relation to implementing an electronic time and attendance system to ensure timely leave management. The Manager POC has advised this project is In Progress and 50% completed. However, no revised due date was provided.

One recommendation is due in June 2019 and the project has Not Started.
- This recommendation is in relation to termination payments being reviewed and authorised by the employee's manager and/or a manager with appropriate financial delegation.

One recommendation is due in December 2019 and is now In Progress.

Internal Audit comments: *Internal Audit rates this health check as Medium Risk.*

Management of Staffs' Licenses, Tickets, Qualifications and Training

BDO completed a follow up on this health check in Quarter 2, FY 2018/19 and made five recommendations from their review.

Two recommendations have been implemented and are deemed completed by the business area. Internal Audit will carry out testing in Quarter 1, FY 2019/20 to confirm the implementation and effectiveness of the control.

Two recommendations are In Progress and are both due in Quarter 2, FY 2019/20.

One recommendation is due in October and has Not Started.

- This recommendation is in relation to improving new starters' information in the license, tickets, qualifications and training register.

Internal Audit comments: *Internal Audit rates this health check as* *Medium Risk.*

More detailed information is available in the PULSE system and a live demonstration can be made at the Committee meeting, if required.

Attachments

Nil

Bayside Council
Serving Our Community

Risk & Audit Committee　　　　　　　　　　**23/05/2019**

Item No	5.9
Subject	**Proposed Risk & Audit Committee Meeting Schedule for 2019/20**
Report by	Natasha Balderston, Internal Auditor
File	F12/156.002

Summary

This report proposes a meeting schedule for the Risk & Audit Committee for financial year 2019/20. In accordance with the May 2017 Risk and Audit Committee Charter, it proposes meeting 5 times a year with an extraordinary meeting to discuss the 2018/19 financial statements.

Officer Recommendation

1　　That the proposed meeting schedule for the Risk & Audit Committee meetings in 2019/20 is received and noted.

2　　That the proposed meeting schedule for the Risk & Audit Committee meetings for 2019/20 be approved.

Background

Section 6.1 of the Risk and Audit Committee Charter states that "*the Committee will meet at least six times per year, with one of these meetings to include a review and endorsement of the annual audited financial reports and external audit opinion*".

The Committee has traditionally only scheduled four ordinary meetings and in recent times found the need to have further extraordinary meetings. In accordance with the Charter, it is proposed to increase the ordinary meeting frequency by one from the current meeting schedule.

As a result, Internal Audit proposes the following meeting schedule for the Risk & Audit Committee for 2019/20:

1　　22 August 2019
2　　24 October 2019 (extraordinary meeting)
3　　21 November 2019
4　　20 February 2020
5　　21 May 2020
6　　23 July 2020

Attachments

Nil

Bayside Council
Serving Our Community

Risk & Audit Committee   23/05/2019

Item No	5.10
Subject	**TechnologyOne Post Implementation Review Project Update**
Report by	Matthew Walker, Manager Finance
File	F17/485

Summary

Council has received the TechnologyOne Post Implementation Review from Galaxy 42 and Council's Information Technology Steering Group has considered the findings and recommendations for action items arising from this review.

The recommendations include the complete reimplementation of Works & Assets module, Inventory module, review of options for mobility solutions, review of options for Contract management system, changes to the finance system, journal processing, review of Corporate Credit Cards options, security and user access review and the need for increased reporting and data analytics. Further, the review also indicated the need for process documentation, policies and procedures that need to be implemented to align to system functionality and workflow process.

Council has commenced addressing items from the TechnologyOne Post Implementation Review in the current year, including the engagement of key resources and also has provided for other phases in the draft 2019/20 budget.

Officer Recommendation

That the report be received and noted.

Background

Council engaged Galaxy 42 to complete the TechnologyOne Post Implementation Review (PIR) over the core modules it had implemented. The scope of the PIR was limited to the modules and underlying business processes implemented as part of the TechnologyOne implementation.

The original modules implemented as part of the TechnologyOne installation were:

- General Ledger
- Procure to Pay (Purchasing, AP)
- Inventory Management
- Bank Reconciliation
- Financial Asset
- Works Management (Projects & Work Orders)
- Fleet Management
- GIS

The current implementation of the TechnologyOne Enterprise Budget module was considered out of scope as this module is in the process of being rolled out.

The principle PIR objectives were to:

- Understand the current usage of the system within Council.
- Identify issues, opportunities for improvement within both system configuration and business process.
- Provide recommendations for a future direction for Council (Road Map).

To ensure consistency, a standard detailed methodology was applied:

Technical Review - This involved a full configuration review and analysis of the associated data within each module/subject area. This was done in advance of the workshop stage and was focused on key configuration and underlying data trends.

Review Workshop - An onsite collective review to obtain understanding of current usage, issues/pain points, discussion on items identified in technical review.

Council encouraged a focus on key users in specific groups to ensure that the discussions could be concise and directly focused on the topic for review. While managers were encouraged to support the process through enabling attendance at workshops, the key targeted attendees were front line users to get an understanding of issues from the ground level.

The feedback from participants during this detailed PIR process has been very positive and the review process was not limited to a simple technical review of system configuration and cursory review of data but was detailed and included discussions and review of various business processes and overarching policy / governance frameworks as they relate to the operation of the system. The PIR also included an aspect of cost / efficiency / benefits / control points throughout the discussion.

Summary of overall findings:

Product Suite	People	Process	Technology	Data	Recommendation
Financials	Poor	Poor	Fair	Poor	Improvements to policies, process and procedures. Develop and implement data analytics.
Supply Chain	Good	Poor	Good	Fair	Improvements to policies, process and procedures. Develop and implement data analytics over key procurement data. Corporate Card and Contract Module review and implement solution.

Product Suite	People	Process	Technology	Data	Recommendation
Asset Management	Poor	Poor	Fair	Poor	Start Again
Mobility					Minimal mobility implemented. Explore options including third party solutions.
Training					More training required for all users.

The findings and recommendations of the TechnologyOne Post Implementation Review (T1-PIR) and associated road map recommendations provide Council with an opportunity to consider its options in relation to the implemented TechnologyOne One-Council Solution.

While the review found that in general the system functionality and capabilities provide a fit for purpose software solution for a local government entity. The review has identified there are significant issues in relation to how the system was implemented, the integrity of the base data used for key modules, process changes required to maximise the system functionality, how the system is being used and maintained, the level of user knowledge of the system and the data integrity and value of data to inform decision making. The result of these issues are being confirmed with ongoing external audit issues.

A number of the issues are also integral to Project 2020 and key elements are being aligned to ensure there is no duplication over the projects.

Approved actions taken to date:

Items	Action	Status
TechnologyOne	Engaged experience TechnologyOne System Accountant	External Consultant Engaged under contract to 30 June 2019
TechnologyOne	Engage Solution Architect	Solution Architect engaged
Project Management	Engage Project Manager	Request for quotes in progress
TechnologyOne	Decide on platform moving forward – Current or new web version	Initial meeting held with TechnologyOne to arrange for demonstration of new web version, site references. Likely to be in mid-June

Actions completed:

Item	Details	Comments
Mandatory Scanned Invoice Attachments (Accounts Payable)	Implemented TechnologyOne ScanWatcher module.	Implemented during July 2018. Accounts Payable invoices now have scanned attachments.
System Based Controls over Journals (TechnologyOne)	Workflow implemented in Technology – secondary review and approval of journals and attachment of working papers.	Implemented during July 2018. Report developed for compliance and any non-compliance will be reviewed.
ICHRIS Payroll Interface	System based interface developed and implemented for ICHRIS Payroll utilising Extract Transform and Load ETL module in TechnologyOne.	Implemented July 2018. Further reviews and amendments progressively implemented and reconciliation process to ensure at a global level that all transactions are updated to the TechnologyOne Financial System. Further developments planned and to be implemented as part of the ICHRIS Payroll post implementation review.
Civica (Authority) Land Information System Interface Implemented	System based interface developed to extract daily transactions from Civica system. Utilises Sequel Server Integration (SSIS) and ETL module in TechnologyOne.	Implemented August 2018 and generated retrospectively over July 2018. No further developments planned as Civica system in process of being migrated to Pathway Land Information System. Detailed transactional review and reconciliation process in progress.
Bank Reconciliation	Changes to transaction groupings and purposes have been implemented to improve process. Implemented daily bank deposits delivered to bank. Independent review by Coordinator Financial Services.	Implementation process commenced during August 2018 and progressed over the year with daily bank deposits process changed in late 2018.
Business Process and Controls	Core Financial business process and controls documented and being embedded.	December 2018. Process delivered by EVI Consulting.
Reconciliation Framework	Standardised reconciliation framework implemented and being embedded.	From August 2018 and progressing.

Item	Details	Comments
TechnologyOne Internal Management Reporting	Core internal management reports developed and implemented.	From July 2018.
TechnologyOne Enterprise Budget Module	Enterprise Budget Module implemented. 2018/19 Quarter review process and draft 2019/20 budget completed in this system.	From August 2018. Module continues to be reviewed and refined on an agile delivery process.
Civica (Authority) Ledger Balances 2018	Closing Civica Ledger Balances 2018 have been updated in TechnologyOne.	Ledger balances imported into TechnologyOne and will result in 2018/19 financial reports being prepared using the TechnologyOne financial system.
TechnologyOne Reporting (Selection) Codes	Review TechnologyOne Reporting (Selection) Codes.	Completed review and implementing new reporting codes in TechnologyOne to improve financial reporting and working papers generation.
External and Internal Cash Restrictions	Imported all External and Internal Cash Restrictions into the TechnologyOne System. Developed reports to enable monitoring of balances and currently testing process to recognise actual movements in ledgers.	Completed review and created new account number structures to recognise transactions correctly. Currently review workflow, business process and procedures to enable recognition of actuals on a regular basis.

The major focus of the recommendation was a complete reimplementation of the Asset Management module in TechnologyOne and this will be the primary focus over the 2019/20 financial year with a current estimated go live date in July 2020.

Attachments

Nil

Bayside Council
Serving Our Community

Risk & Audit Committee

23/05/2019

Item No	5.11
Subject	**Strategic & Operational Risks - Quarterly Review**
Report by	Fausto Sut, Manager Governance & Risk
File	F13/418

Summary

This report provides an overview on the quarterly review of Council's strategic and operational risks. All risks are now within the PULSE ERM module for convenient review by risk owners and subsequent reporting. The maturity of Council's risk register is continuing and successive reviews will focus on improving risk identification, mitigation and control measures. In this regard, the Executive Committee has directed quality review by Risk Management and as the priority, that Risk Management work with risk owners of risks identified as High and above.

Officer Recommendation

1   That the report on the Risk Register Review be received and noted.

2   That the Committee endorses the actions to improve the quality of the risk register.

Background

Council has now fully migrated its strategic and operational risk registers into the PULSE ERM module. The system is easily accessible by risk owners and a process of quarterly review and reporting is in place. In keeping with its Enterprise Risk Management Strategy, the next phase in developing Council's risk management maturity is to work with risk owners to continually improve the identification of risks and the development of appropriate mitigation and control measures. The risk register has informed Council's internal audit plan. The Strategic and Operational Risk Registers are attached.

Strategic Risks.

There were no changes in the Strategic Risks and the overall risk rating for the 32 strategic risks is depicted in Table 1. At the time of this report, Strategic Planning had not concluded its review of 9 strategic risks allocated to it as risk owner. These have been included with a similar rating as the last quarter.

Table 1 – Strategic Risk Rating Summary

Risk Area	No Risks	Extreme	Very High	High	Medium	Low
Strategic	32	0	1	5	13	13

The consequences around Council Events continues to maintain that risk rating as Very High notwithstanding mitigation measures in place.

Operational Risks

As noted above, Council's risk management culture is still developing and Risk Management continues to work with risk owners to improve identification, rating, mitigation and control measures. At this time, risk owners have identified 150 operational risks. Table 2 below shows the residual risk rating for those risks.

Table 2 – Operational Risk Rating Summary

Risk Area	No Risks	Extreme	Very High	High	Medium	Low
Operational	150	0	4	25	75	46

The Executive Committee review has flagged immediate action to be undertaken to improve the quality of the Operational Risk Register and has directed Risk Management to undertake this task with a priority being given to those risks rated high and above. An action plan is being developed to undertake this quality review.

Attachments

1   Strategic Risk Register May 2019 ⇩
2   Operational Risks as at 9 May 2019 ⇩

Strategic Risks
As at 2 May 2019

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
Strategic	725	Council may lack the ability to manage emergent risks associated with large crowds of people in public spaces within the LGA	Service	Extreme	Very High	Head of Communications and Events	Mitigation strategies implemented. New Year's Eve Fireworks Event Management Plan successful.
Strategic	729	Council failure to properly address the potential landfill gas migration on Council owned/controlled land at Cooks Cove.	Environmental	Extreme	High	Manager - Strategic Planning	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.
Strategic	730	Council failure to properly assess other potential contamination	Environmental	Extreme	High	Manager - Strategic Planning	Council undertaking a desktop study.

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
		sites owned/controlled by Council.					
Strategic	728	Council failures to properly address the potential contamination issues at Kendall Street Reserve Sans Souci	Environmental	Extreme	High	Manager - Strategic Planning	On site testing completed to determine extent and nature of contamination. Discussions with EPA underway to determine next steps.
Strategic	727	Failure of Infrastructure - a major unit of infrastructure may fail unexpectedly and / or catastrophically	Financial	High	High	Manager - Strategic Planning	Strategic Asset Management Committee meeting regularly and report to the Executive Committee
Strategic	726	The inability of the organisation to deliver, and embrace new integrated technology platforms and business applications	ICT	Very High	High	Manager Information Technology	IMT Strategic Plan being developed and oversight by IMT Steering Committee continues.
Strategic	740	Adverse or unplanned impacts of population growth within the LGA	Strategic	High	Medium	Manager - Strategic Planning	Current mitigation strategies underway including development of the Bayside LEP, review of Contributions Plan and Asset Management Strategy
Strategic	734	Construction of F6 in LGA	Strategic	Very High	Medium	Manager - Strategic Planning	Council engaged a consultant to co-ordinate

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
							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.
Strategic	737	Customer Service Performance may fail to meet community expectations	Service	Very High	Medium	Manager Customer Experience	New Manager Customer Experience appointed on 4 February 2019 and is continuing to lead the Customer Experience Improvement Project New contact centre software with business intelligence dashboard implemented in January 2019. The software monitors and reports on performance Weekly tool box sessions are held with staff. Team Meetings and Senior Leadership Meetings held at least monthly. Staff will be rotated between Rockdale and Eastgardens to continue

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
							to upskill staff on all customer experience tasks and functions. Learning and development program has been established for Customer Service Team and is being implemented. One on one workplan sessions will commence from May 2019 and will occur quarterly next financial year. Mystery shopping initiative implemented with report due to Executive by June 2019. Customer experience statistics collated and reported. Customer Service staff are proactively meeting with other business units to review business processes and/or address issues to improve customer experience Quarterly meetings have been established to meet with Contact Centre System Provider

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
							and After Hours Service Provide to exchange information, identify areas of improvement in servicing the customer and discuss contract performance. Review of Customer experience improvement strategy, standards and KPIs will commence 1st quarter of next financial year.
Strategic	761	Eyes are on us in terms of Political, OLG, Community, ICAC, and Other Councils.	Strategic	Medium	Medium	Manager Goverance & Risk	Strong progress has been made in addressing both the ICAC and Audit Office recommendations. Project 2020 established and regular monitoring and reporting in place.
Strategic	731	Failure to deliver one or more major Transition Projects within Time / Cost / Scope / Quality expectations	Operational Activities	Very High	Medium	Manager Executive Services	Monitoring and regular reporting to the Executive Committee continues on the Transition Projects and Budget.

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
Strategic	732	Failure to identify and respond to critical emerging social issues - for example "affordable housing" within LGA	Strategic	Very High	Medium	Manager - Strategic Planning	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.
Strategic	736	Failure to manage Assets sustainably for the future requirements of the community	S.A.M.	Very High	Medium	Manager - Strategic Planning	Strategic Asset Management Committee established and meets regularly.
Strategic	738	Inability to effectively manage and control urban development and growth in the LGA	Strategic	High	Medium	Manager - Strategic Planning	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.
Strategic	742	IT security threats may not be adequately managed	ICT	High	Medium	Manager Information Technology	NSW Audit Office issued draft report on IT Audit. Under review and action plan being developed to address recommendations.

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
							Progressing transfer of infrastructure and applications to off site facility.
Strategic	749	Lack of understanding and/or preparation for climate change impacts, including clean energy initiatives and ineffective Management of the impact of climate change.	Strategic	High	Medium	Manager - Strategic Planning	Environmental Strategy being developed to include climate change issues.
Strategic	735	Potential harm to the environmental (eg water, air quality, drainage)	Strategic	Very High	Medium	Manager - Strategic Planning	Stage 1 of the Bayside Water Management Strategy completed and Stage 2 underway.
Strategic	754	The organisation may not be able to attract and retain high quality personnel	Staff	High	Medium	Manager People & Organisational Culture	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. An e-recruitment system

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
							will be implemented in June 2019.
Strategic	739	West Connex development results in significant increase in traffic volumes within Bayside	Strategic	High	Medium	Manager - Strategic Planning	Council monitoring opportunities for consultation. Latest submission in October 2018 on Urban Design and Landscaping Plan.
Strategic	733	Airport does not pay or pays significantly less than assessable rate equivalent payments to Council	Strategic	Very High	Low	Manager Finance	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.
Strategic	753	Corporate knowledge and systems may not be adequate to meet targeted service levels	Strategic	High	Low	Director - City Performance	Business Processes & Controls for key functions completed. Progress report to ICAC on implementation of recommendations submitted in December 2018 and was well received. IMT Digital Strategy has been developed and is being progressively

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
							implemented. New Business Improvement & Innovation business unit has been created and will undertake planned and reactive service reviews to improve our service levels and resource capability.
Strategic	743	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	Reputational	Very High	Low	Manager Goverance & Risk	Progress report to ICAC in December 2018 well received. Monitoring continues of implementation by Executive and Risk & Audit Committee.
Strategic	745	Council may lack the PR resources and expertise to withstand the reputational damage expected to arise from the ICAC	Reputational	Very High	Low	Head of Communications and Events	Strong progress has been made in addressing both the ICAC and Audit Office recommendations. 45 actions were developed in response to the

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
		findings on Operation Ricco					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. On track. Staff information sessions on Compulsory Training - Public interest Disclosure Training and ICAC are also important.
Strategic	758	Council merger may impede community collaboration and consultation due to parochial influences carried forward from former LGAs	Community	Medium	Low	Manager Community Life	Implemented - Under Executive Review. Community Engagement activities continue. Six month progress report to 31 December 2018 on Delivery Program & Operational Plan prepared.
Strategic	747	Fail to achieve the designated goals in the Community Strategic Plan; and/or Delivery Program and/or Annual Operational Plan	Strategic	High	Low	Manager Goverance & Risk	Integrated Planning & reporting framework in place. Six monthly progress report on Delivery Program & Operational Plan to 31

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
							December 2018 completed with 93% of actions completed and/or on target. Draft DP & OP for 2019/20 on public exhibition.
Strategic	756	Fail to provide services relevant to community needs, expectations and demographics	Community	Medium	Low	Manager Community Life	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.
Strategic	757	Failure of Community to effectively engage with Council as a legitimate service provider and successor the previous entities	Community	Medium	Low	Manager Community Life	Six month progress report to 31 December 2018 on Delivery Program and Operational Plan completed showing 93% of actions completed and/or on target.
Strategic	759	Failure to comply with legislation / obligation	Compliance & Regulatory	Medium	Low	Manager Goverance & Risk	Mitigation strategies in place. Online Legislative Compliance database to be implemented. Draft Legislative Compliance Policy developed.

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
Strategic	752	Financial resources may not be sufficient to fund Council's operations	Financial	High	Low	Manager Finance	Budgetary & Financial Reporting processes in place. Development of long term financial plan and strategic asset management plan underway.
Strategic	750	Inability and/or failure to manage financial obligations sustainably for current and future community requirements.	Financial	High	Low	Manager Finance	Budgetary and Financial monitoring and reporting processes in place. Long Term Financial Plan and Asset Management Plan in development.
Strategic	760	Public Relations failures / community engagement * failure to adequately engage with community * failure to adequately deal with public relations issues with community	Reputational	Medium	Low	Head of Communications and Events	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.
Strategic	755	Unplanned or change in direction caused by Political	Community	High	Low	Manager Goverance & Risk	Continuation of General Manager Briefing Sessions and Councillor Development Program.

Risk Area	Risk Id	Risk Description	Risk Category	Inherent Risk	Residual Risk	Risk Owner Position	Comment
		influence					Integrated Planning & Reporting framework in place with six monthly report on progress to community on progress.

Organisational Risks
As at 9 May 2019

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
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 *Trained staff recruited as per Regulation *Regular training provided *Adequate supervision provided for staff *Policy developed and in place	High	Staff clearances are always included in the recruitment process and can be checked at this point. Need to consider best process for audit. Spot check conducted by Dept of Education late April indicated Botany Vacation care is meeting all requirements FDC assessment and rating visit booked for 1st week of May	Manager Community Life
Compliance	Compliance & Regulatory	Failure to manage conflicts of interest (including perceived) 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 associated with direct dealing. Reports to Council Meeting for decisions.	High	On-going, however the mitigation strategy has reduced the likelihood of this risk	Manager Property

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
Compliance	Information Systems & Security	Fraud / Theft	Extreme	Physical locking and alarming of premises Security measures CCTV, Firewalls, Endpoint protection other measures	High	Physical locking and alarming of premises Security measures CCTV, Firewalls, Endpoint protection other measures The relocation of equipment to GOV DC provides and increased level of restricted access to equipment. Revision of the IT assets register within the current help desk application has been initiated as a new internal project.	Manager Information Technology
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	High	New electronic calendar with key compliance timeframes to be introduced by 30 June 2019. Current monitoring against OLG Strategic Tasks ongoing	Manager Governance & Risk

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				database to be introduced by 30 June 2019			
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 and associated training strategy in place Internal Audit Plan progressing (including health checks) Induction training includes corruption prevention segment Update of Corruption Prevention Policy/Strategy (including fraud prevention) schedule for May 2019.	Manager Governance & Risk

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
Compliance	Reputational	Code of Conduct breach	High	Maintain a Code of Conduct, develop and maintain supplementary procedures, training of new staff and provide refresher training, maintain internal reporting policy, and good records management practices.	Medium	New Code of Conduct to be submitted to Council for adoption and communication/awareness strategy to be completed by 30 June 2019. Whole of Council Public Interest Disclosure training undertaken in April through to June 2019	Manager Governance & Risk
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.	Manager Compliance
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,	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.	Manager Governance & Risk

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				Governance advice to organisation.			
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 Risks being managed as there have been no reported issues.	Manager Information Technology
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	Manager - Strategic Planning
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 Include and IMT or execrative approved KPI (s) in all service agreements and contracts. Review these on regular basis.	Medium	Regular vendor management Contract reviews before engagement IMT review prior to vendor approval Procurement vetting of vendors IT has commenced advocating KPIs in service agreement for regular review by IMT and exec and propose including this in revised IT standards.	Manager Information Technology
Compliance	Compliance & Regulatory	Failure to adhere to Council's	Extreme	Implement ICAC and NSW Audit	Medium	Since amalgamation there has been improvement in the	Manager Procurement

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
		procurement policies and procedures		Office recommendations within business process and controls project for high risk business processes; Improved governance and internal controls; internal audits and health checks; Improved monitoring and reporting.		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 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.	Manager - Certification
Compliance	Compliance & Regulatory	Non-compliant Investments	Very High	Documented procedures, training of staff, records of	Medium	Council has implemented significantly improved investment processes and procedures as a part of if	Manager Finance

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				procedural compliance		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.	
Compliance	ICT	Professional negligence	Medium	Code of Conduct IMT Steering Committee oversight CAB - Change Advisory Board (ICT) Regular team talks.	Medium	Code of Conduct IMT Steering Committee oversight CAB - Change Advisory Board (ICT) Service desk procedures for installation of new software.	Manager Information Technology
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.	Manager Compliance
Compliance	Operational Activities	Risk of harm to staff by community members	High	Proper policies and procedures in place. Staff training and awareness.	Medium	Regular staff meetings and communication to address any potential issues are currently in place and effective.	Manager Customer Experience
Compliance	Human Resources	Secondary employment management ineffective	Medium	Documented procedures, training of staff, records of	Medium	Bayside Council has developed and implemented a Secondary Employment Policy. staff are being trained	Manager People & Organisational Culture

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				procedural compliance		and a procedure is in place to ensure compliance	
Compliance	Human Resources	Separation of duty for payroll activities	High	1. a more detailed review of access controls should be performed by Internal Audit to evaluate whether the separation of duties have been adequately implemented. 2. review of audit trail reports should be performed prior to the pay run being executed. This review is currently being performed post-pay run. 3. 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. 4. There would	Medium	Audit trail reports are currently reviewed prior to pay run. The Manager, People and Organisational Culture commence the review of modifications made by super user for the pay ending 20 January 2019. The Manager, People and Organisational Culture commence the review of Masterfile data and any associated modification for the pay ending 20 January 2019	Manager People & Organisational Culture

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				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.			
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.	Manager - Certification
Compliance	Human Resources	Termination Payment	High	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	Medium	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	Manager People & Organisational Culture

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				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. 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. By 1 June 2019		not been notified of the departure. 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. By 1 June 2019	
Compliance	Human Resources	The reconciliation between the payroll system and TechOne is incomplete	Very High	Thorough training has been provided to the payroll officers to ensure that they do not override the natural	Medium	Thorough training has been provided to the payroll officers to ensure that they do not override the natural account. A TCL Report (Time Sheet List) is produced every week	Manager People & Organisational Culture

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				account. 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. Thorough training has been provided to the payroll officers to ensure that they do not override the natural account. 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. Weekly meeting and		to review that the natural accounts are correctly applied. For example the natural account number for annual leave is checked against annual leave taken. Thorough training has been provided to the payroll officers to ensure that they do not override the natural account. 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. Weekly meeting and monthly meetings is occurring between payroll and finance to ensure any issues are traced to the root cause and corrected.	

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				monthly meetings is occurring between payroll and finance to ensure any issues are traced to the root cause and corrected.			
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. no progress has been made with this project	Manager People & Organisational Culture
Compliance	Compliance & Regulatory	Building and Development inspections in relation to Construction Certificates and Building Information Certificates and enforcement processes ineffective	High	Ensure procedures and checklists are in place and conduct detailed regulatory inspections.	Low	Processes and checklist are in place and all inspections are conducted at the critical stage inspections	Manager - Certification
Compliance	Human Resources	Duplicate employees	Very High	employees paid more than once should be reviewed as part of the EFT	Low	employees paid more than once is reviewed as part of the EFT check to ensure that individuals are not paid under	Manager People & Organisational Culture

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				check to ensure that individuals are not paid under two payroll numbers. Please note that staff can be paid under two payroll numbers. This occur when the position are two different positions. Payroll run a report each week of duplicate employees to check the validity of the duplication		two payroll numbers 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	
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.	Manager Compliance
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.	Manager Compliance

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
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.	Manager - Certification
Compliance	Human Resources	Lack of a process to identify duplicate bank account details	Very High	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	Low	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	Manager People & Organisational Culture
Compliance	Human Resources	Leave balance and accrued leave liability	Very High	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. ICHRIS self service will be implemented which will tighten	Low	A leave audit has been completed by the Payroll Coordinator where the former payroll system calculated leave wrongly. A contractor has been engaged to develop a mathematical methodology based on the leave rules as per the Award and the former Councils to compare the outcome of the payroll coordinator outcome and the contractors outcome. A post implementation of the new	Manager People & Organisational Culture

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				how managers control that leave taken has actually been recorded in the system. ICHRIS self service will be implemented which will tighten how managers control that leave taken has actually been recorded in the system. 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		payroll system is being performed.	

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				reduce the impact on leave liability accrual.			
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. Control measures have been put in place. Staff have the same terms and conditions. Payroll staff is fully trained on document requirement for any leave taken. A leave policy, flexible working hours policy, Managers leave days policy, performance and conduct policy	Manager People & Organisational Culture
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 /	Low	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	Manager Information Technology

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				Procurement approval Asset tracking software to report on installed inventory			
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 schemes and time limited streets	Low	Risk controls are effective. Parking enforcement activities are undertaken as per unit's plans and objectives.	Manager Compliance
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.	Manager Compliance

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
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. The consultative process with SCC is comprehensive extraordinary meetings is held in addition to the monthly meetings to ensure business is operating effectively.	Manager People & Organisational Culture
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.	Manager Finance
Compliance	Compliance & Regulatory	Waterfront locations, parks, reserves and Crown Land inspection and enforcement activity ineffective.	Low	Documented procedures, training of staff, rangers patrol registers and discussion at monthly team meetings.	Low	Risk controls are currently effective.	Manager Compliance

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
Financial	Financial	Budgetary and long-term financial planning processes may be inadequate	Very 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.	Manager Finance
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 2018 and improvements have	Manager Finance

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						been made to external systems 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. Peer review of contributions by Council's Section 94 Planner.	High	Contributions are peer reviewed (checked) by Council's Section 94 Planner. Staff training on procedures also carried out.	Manager - Development Services
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	High	On-going, however the mitigation strategy has reduced the likelihood of this risk	Manager Property

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				property team, breach notices etc. which result in some bad debtors settling arrears.			
Financial	Community	Tenant defaults on financial lease obligations	High	Documented procedures, training of staff, records of procedural compliance. The implementation of monthly debtor meetings, to proactively manage debtors.	High	This risk is ongoing, however the implementation of the mitigation strategies reduced the frequency and the amount of revenue lost.	Manager Property
Financial	Community	Tenant/hirer causes or permits material property damage	High	The implementation of regular Property inspections within our tenanted buildings has been commenced.	High	The introduction of the inspections and subsequent requests to tenants to maintain the premise have reduced the likelihood of this occurring.	Manager Property
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 progressive budget during the planning stages ensures budget	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						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. The events budget is constantly monitored and reviewed. Recent events such as Australia Day Activities, Lunar New Year and the Pre Anzac March have been delivered within the approved budget.	
Financial	Operational Activities	Burglary or hold-up at Rockdale and/or Eastgardens Library and Customer Service Centres	High	Risk awareness and de-escalation training of customer service and library staff, regular risk audits and risk mitigation strategies (eg Cash handling)	Medium	Current status - on line armed hold up training is provided new and current staff. A cash handling audit was undertaken by BDO during February and March 2019. Recommendations and	Manager Customer Experience

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						actions identified from the audit are currently being implemented with progress reported back to Internal Audit and the Risk and Audit Committee.	
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. Councillor expenses reviewed each regular Budget Review.	Manager Executive Services
Financial	Financial	Failure to properly value Council properties	Medium	Independent asset valuations. Appropriate documentation maintained to support asset valuations. Valuations undertaken in	Low	The likelihood of the risk has been reduced through the implementation of the mitigation strategis	Manager Property

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				accordance with accounting standards.			
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 and subject to continuous improvement.	Manager Finance

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
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	The implementation of the mitigation strategy has reduced the likelihood of this risk	Manager Property
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, such as vehicles colliding with our fleet, cannot be eliminated	Manager City Works
Operational	Operational Activities	Performance Reporting Inadequate	Very High	Progressive rollout and testing of performance meaurement and	Very High	The Property Management System is currently being procured, however	Manager Property

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				management processes through the implementation of a new Property Management System, and regular portfolio catch ups to track performance.		the regular catch-ups are currently underway and have subsequently reduced the likelihood of the risk	
Operational	Strategic	Property holdings not appropriate to Council's strategic and operational requirements	Very High	The mitigation of this risk is currently limited. However the implementation of an asset register and long term asset strategy, based on building condition/strategic need and community expectations needs to be undertaken to effectively mitigate this risk.	Very High	The mitigation measures for this risk need to be developed to ensure the likelihood of the risk is reduced. This still requires work.	Manager Property
Operational	Operational Activities	Children under the age of 8 years old are left in the library unattended without the care and supervision of a responsible adult. This presents a risk	Very High	Adequate surveillance of Library Visitors and activities Policies, protocols and procedures that identify and respond to risks / incidences	High	CCTV surveillance is present at Eastgardens and Rockdale. An increase in CCTV surveillance will occur during May 2019 to mitigate any	Manager Customer Experience

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
		to the child's welfare.		Liaising and co-operating with key stakeholders regarding community safety matters including Police. Staff education and training Library visitor education and awareness		vulnerable areas currently not under surveillance.

New signage has been installed in all library locations identifying that CCTV footage is used on our premises for the purposes of monitoring safety and crime prevention and states that library staff are empowered to refer matters to the police

Staff regularly monitor visitors at all libraries and respond as required to risks and/or incidences in accordance with policy, protocols and procedures.

Staff liaise with Policy and Community Safety Officer vice versa as required on community safety matters | |

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						Staff training and awareness of policy, protocols and procedures is provided in dealing with community safety matters Liaising with Police and Community Safety Officer as required	
Operational	Information Systems & Security	Data quality and integrity processes ineffective	Very High	Post Implementation Reviews ALM - Application Lifecycle Management - business and IT merge to proactively and regularly manage Core application / Service. Re-implementation Data correction / cleansing	High	Bayside has started on a journey of proactively managing the Application Lifecycle of core applications / services, though this in it's early stages, it has netted some serious issues with the Asset and Financial system implementations / data and as a result has led to major rework in Tech1 Financial and Asset systems	Manager Information Technology

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						The journey of ALM must continue at Bayside, currently slowed due to competing projects and lack of some business buy-in. Executive sponsored reviews of key corporate business process has been actioned.	
Operational	Operational Activities	Development Assessment Services ineffective	Very High	Documented procedures, training of staff, records of procedural compliance. Coordinators manage staff workload weekly and provide peer review of all assessments to ensure quality and accuracy.	High	Staff workload managed by coordinators and new applications lodged at clearinghouse which meets 3 times a week. All assessments are peer reviewed by coordinators before determination.	Manager - Development Services
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	High	BCP tested in February 2019 and improvements identified. Consultant engaged to develop	Manager Governance & Risk

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				* 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		remaining site specific BCPs and work to commence in May 2019.	
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	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						are determined by the elected representatives and 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. This continues to be the most effective method of mitigating risks. | |
| Operational | Operational Activities | Partnerships between Development Services and other | Very High | Communication and cooperation between business units and collaboration | High | Regular communication with other business units is undertaken as | Manager - Development Services |

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
		Business Units ineffective		initiatives Regular meetings between business units to discuss and resolve issues.		required to resolve issues.	
Operational	Operational Activities	Performance Reporting Inadequate	Very High	Progressive rollout and testing of performance meaurement and management processes Weekly DA Dashboard meeting is occurring. All applications are now lodged in Pathway and this will allow improved performance reporting.	High	With all applications lodged in Pathway performance reporting will become less complex and thus more accurate.	Manager - Development Services
Operational	Operational Activities	Permanent or temporary loss of community history resources including physical archives, artefacts and digital files.	Very High	Undertake digitisation and/or archiving of resources to adequately preserve them and meet benchmark standards. Provide adequate storage facilities to	High	Digitisation has commenced and some files have been sent off site to archive storage centre. Discussions are in progress with Library and IMT staff to identify a more permanent solution to	Manager Customer Experience

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				store, protect and preserve artefacts. Implement preventative maintenance programs and intervention treatments that prevent risk to resources stored and/or displayed within libraries.		ensure adequate storage solution for the growing digital file collection. Asset condition review and treatments are currently being considered for Rockdale and Mascot Libraries. A more permanent solution is required for the appropriate conservation and preservation of community history resources and artefacts. This has been flagged as a future library project and will require a business case.	
Operational	Operational Activities	Permanent or temporary loss of library premises.	Very High	Building asset audits are being conducted for all libraries excluding (Eastgardens and Rockdale). Treatment initiatives and/or remedy to be	High	Insufficient property maintenance and/or controls. Bexley Library has been closed since 20 March 2019 as a result of storm damage. A building	Manager Customer Experience

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				implemented to address any immediate risks identified as a result of the audit. Proactive preventative maintenance inspections and programs to be implemented. Staff to continue to identify and report arising issues. Business Continuity Plans for library service to be established.		audit has been undertaken for condition and fit for purpose, the outcome is pending. Mascot Library has been identified for roof replacement in the 2019/2020 financial year as part of the capital works program. Audits are also planned for Arncliffe, Bexley North, Brighton, Mascot and Sans Souci libraries to identify appropriate treatments for these facilities.	
Operational	Workplace Health & Safety	Personal Injury to Staff	Very High	PPE, SWMS, Authorised Traffic Control, operating instructions and Safe Operating Procedures along with adequate training.	High	While all care is taken, the risks in personal injury being sustained is always present. New set of SWMSs recently adopted and rolled out to the staff with training in each SWMS ongoing as part of regular toolbox talks	Manager City Works

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
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	Although all works are inspected and standards are met, intangible risks such as inclement weather of third party incidents such as public utility failures will affect quality of work.	Manager City Works
Operational	Project	Resource turnover	Very High	Knowledge sharing through IT KMDB (Knowledge Management Database) helps keep specialised knowledge in the whole team's fingertips, thus reducing the impact on Council	High	Ongoing works in Knowledge Management will see this Risk lowered further, but a good start in FY19 has seen KMDB used to great advantage in the IT Team. Just recently two contractors have on-boarded to run the Service Desk support roles with fast ramp up, this is testament to the Knowledge sharing culture. There is a strong culture and skills to utilise trim as corporate repository	Manager Information Technology

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
Operational	Information Systems & Security	Security breach - physical and IT	High	Develop and implement Crisis Management Plan & BCP Review all ICT security policies Develop ICT processes and escalations in the event of a security incident	High	Develop and implement Crisis Management Plan & BCP Review all ICT security policies Develop ICT processes and escalations in the event of a security incident	Manager Information Technology
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	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						Police when holding a major event.	
Operational	Operational Activities	Systems and processes for recording and tracking building, development and planning applications ineffective	High	Documented procedures for DAS entry, Training of staff, Records of procedural compliance, Updating of system DA Clearing House process review	High	With the lodgement of all DAs on Pathway, reporting will become easier and more accurate.	Manager - Development Services
Operational	Operational Activities	Asbestos found in illegally dumped material.	Extreme	Asbestos is reported in a separate CRM category to other dumped waste so that it can be addressed as a priority – email notifications for this category are received by both Coordinator WARR and a qualified officer (WARR Education Officer). The qualified officer can investigate, identify and remove up to 10m2 of non-friable asbestos. Difficult	Medium	Council employs rapid response qualified officers that can investigate, identify and remove non-friable asbestos under 10m2. All other collections are conducted by a Contractor, with appropriate hygienist testing and disposal methods. Areas are made safe as a matter of priority.

All illegal dumps reported by the community are | Manager Waste & Cleansing |

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				removals, excessive quantities and friable asbestos is referred to a Preferred Contractor for immediate removal. Council utilises a SSROC asbestos removal contract panel to identify and collect material, if WARR Education Officer not available. Includes after hour rates and higher rates for rapid response time. All illegal dumps reported by the community are actioned within Council's GOS. Proactive identification and investigation of illegally dumped waste is conducted by WARR Regulations Officers and RID. Illegal dumps can be		actioned within Council's GOS. Removal and disposal of illegally dumped material is actioned within Council's GOS. Proactive strategies and solar surveillance cameras are utilised to manage the problem. Incidences that are recorded on council systems assist in creating heat maps of known hotspots that are targeted with education, regulation and surveillance.	

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				reported to Council via Pathways (phone, email) or the Waste App. Removal and disposal of illegally dumped material is actioned within Council's GOS.			
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.\n\nDuring this process the Bayside Council external website has been, and continues to be, in a constant state of development. Content is being updated daily. Every	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						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. Information continues to be updated however the budget and oversight for further development of the website sits with the Business Improvement Unit.	
Operational	Operational Activities	Cleansing activities fail to comply with Environmental Health requirements	High	* Documented procedures, * Training of staff, * Records of procedural compliance, * Safety / Risk / Environmental	Medium	Council promotes the hierarchy of elimination, substitution, isolate, engineering controls, administrative controls, personal protective equipment	Manager Waste & Cleansing

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				Impact Assessments, Procurement of fleet, plant and equipment to mitigate risk, * Regular servicing / maintenance of fleet, plant and equipment.		to manage environmental health issues.	
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	Best practice IAP2 guidelines are followed. Current policy incorporates these guidelines and is up to date. Staff being recruited are trained in IAP2 or will receive training. Community Engagement Officer to commence early May	Manager Community Life
Operational	Compliance & Regulatory	Council records management practices not followed	Very High	Implement one EDRMS across Council Training and	Medium	New EDRMS system introduced harmonising former records systems.	Manager Governance & Risk

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				awareness activities on good records management practices Review non EDRMS databases and migrate critical data Review disposal and archiving practices		Council wide training on records management practices and new Content Manager system undertaken. Further modules to improve records management practices being implemented and to be completed 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 fit for purpose when used regularly by children and residents from the area or visitors.	Manager City Works
Operational	Operational Activities	Customer, Visitor or Staff medical emergency at Customer Service Centres and/or Libraries.	High	Documented procedures, Provision of first aid kits and defibrillators, Training of staff on first aid and reporting, Records of	Medium	Current status - Identified staff to undertake first aid training to be scheduled with Learning and Development / WHS Teams.	Manager Customer Experience

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				procedural compliance including regular monitoring and mitigation by staff in public and work areas to prevent hazards.		Identified staff recently completed warden training. Emergency reference guides to be distributed to all libraries during May 2019 - An outcome from Fire Warden Training. Staff are aware to call 000 in an emergency. Eastgardens staff may also call Westfield Centre security if required to provide support. Staff follow relevant Risk and WHS policy and procedures to document all incidents and injuries.	
Operational	Compliance & Regulatory	Developer contributions are inadequate or are not expended in a timely manner to meet local	High	Obtain s7.11, s7.12 and reserve balances from Councils Finance team monthly reporting on transactions from and to reserves	Medium	Successful implementation of mitigation strategies requires co-ordinated approach across the organisation, improvement to	Manager - Strategic Planning

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
		infrastructure demands		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 Program to Business Unit workplans to ensure resources allocated for implementation		information, processes and culture	
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	Medium	DAS Coordinator ensures that forms and website information is kept up to date and that consistent advice is provided at both Eastgardens and Rockdale locations.	Manager - Development Services

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				undertaken.			
Operational	Operational Activities	Environmental damage	Very High	Risk awareness training of operational staff and use of environmental controls; monitoring and action upon complaints;	Medium	All maintenance activities subject to Part V of the POEO Act approvals and they are carried out according to the controls detailed within those approvals. Although Council has measures in place to reduce the risks, creeks and drains can still be polluted due to external incidents such as Oil Spills or Illegal Discharges from upstream.	Manager City Works
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 Identify process improvement required Update databases (including data	Medium	Implementation of mitigation strategies requires significant inputs (resources, co-ordination) from other Business Units including IT, Finance, Business Improvement, Customer Service	Manager - Strategic Planning

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				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			
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, input into development of plans,	Medium	Current structures, processes and controls are working well. Emphasis on Councillor Development Program for remainder of term.	Manager Governance & Risk
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.	Medium	Council is well resourced using globally renowned Collection Contractors and ample 'in house' services to deliver	Manager Waste & Cleansing

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				* 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 (in-house). * Monthly Manager meetings. * Monthly Contractor Performance Management Meetings. * Policies & Procedures.		operational services to the community. Contract financial penalty clauses and substantial financial bonds assist in contract management performance. When loss of internal resources (staff, plant, fleet, equipment) plays a significant impact on productivity, Council manages this issue with the use of labour and/or plant, fleet, equipment hire which is funded by the operational budget or Council's Waste Reserve.	
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	Medium	Research undertaken and discussions with Civic Risk member councils held. A report is being prepared on further mitigation strategies including	Manager Governance & Risk

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				recommend additional mitigation strategies		the engagement of expert advice.	
Operational	Reputational	Inadequate or incorrect advice provided to the customer	High	Use and compliance of Councils corporate systems by the organisation to capture, store and maintain information Continue to document and update the organisation's policies and business processes and embed them in the organisation Provide clear roles and responsibilities within the organisation

Conduct regular meetings, training and feedback to customer service staff to increase their knowledge and awareness of Council's policies and business processes and where to access | Medium | The new contact centre software implemented in January 2019 records phone calls. Senior Customer Service staff regularly review recordings and provide feedback to operators and other relevant staff as required.

There is an overall improvement in the quality and accuracy of information provided by the Customer Service Team through the management of the knowledge base system. Weekly tool box sessions occur with customer service staff to provide feedback and share information. | Manager Customer Experience |

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				the appropriate information to accurately respond to the customer.		Customer service team members proactively seek clarification on roles and responsibilities across the organisation as well as initiating / advocating for process clarification and/or reviews via business process owners to equip staff to better respond to customers.	
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 strategies, internal audit program, processes and controls include risk management, regular risk register reviews	Medium	Mitigation strategies in place to increase risk management maturity of the organisation. CRIP Audit undertaken to evaluate Council's risk management framework and awaiting report for any improvements actions.	Manager Governance & Risk

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
Operational	Information Systems & Security	Information / Data security systems / processes ineffective	Medium	Documented procedures, training of staff, records of procedural compliance	Medium	Currently building IT Standards repository, regular Vendor reviews, Documented procedures, training of staff, records of procedural compliance. proposals have been requested from 3 vendors to provide a revised backup plan	Manager Information Technology
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	Documented procedures through Knowledge Management system Prescribed sharing of Knowledge built into all IT work plans Training of staff in accordance to IT Strategy	Manager Information Technology
Operational	Compliance & Regulatory	Key Business Process and Internal Controls developed may not be embedded or become part of the Bayside culture	Very High	Staff training and awareness, Business owner oversight, KPIs and Executive and management reporting to be established, Internal	Medium	A system of management reporting will need to be developed to ensure the processes and controls are embedded. Current internal audit of cash	Manager Governance & Risk

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				audit plan takes into account key risks,		handling and inventory management will also provide insight as to the take up of these new business processes and controls.	
Operational	Operational Activities	Landfill diversion or recycling activities inadequate	Very High	* Funding source from Operational budget and external 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)	Medium	Council's Waste Avoidance and Resource Recovery Strategy 2030 was the winner of the Keep Australia Beautiful NSW Sustainable Cities Award in 2018. Council remains at the forefront in this area by utilising innovative research and projects developed through participation in waste industry and SSROC groups, including workshops, seminars, conferences and working groups. Council recycles	Manager Waste & Cleansing

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						material separately via: * SSROC mattress panel. * Community Recycling Drop Off Events. * SSROC Clean Up Processing tender process. Bayside's Waste Services App encourages and promotes resource recovery. Additionally, Council is active in lobbying and commenting on NSW EPA strategies, policies, legislation and working groups.	
Operational	Project	Legacy components lack documentation and could harbour security risks	Very High	ALM - Application Lifecycle Management ensures all core applications are reviewed and maintained regularly	Medium	ALM - Application Lifecycle Management ensures all core applications are reviewed and maintained regularly with IT and Business stakeholders.	Manager Information Technology

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				with IT and Business stakeholders.		there are multiple legacy system with differing risk or IT resources required to support these. Critical lotus Notes and Civica applications are prioritised and resourced. Recommend the Risk register be broken out into one individual item per legacy system.	
Operational	Operational Activities	Library Information Resources subject to misuse	Very High	Documented policies and procedures, Education and training of staff, Records of procedural compliance, Application of system controls for public PCs and public WIFI, Education and awareness of standards of behavior required by library visitors. Note: Limited control on visitors using their	Medium	Signage is displayed with regard to copyright legislation. Information is distributed and displayed in the libraries regarding expected standards of behavior by visitors and consequences if behavior does not meet the standards required Staff regularly monitor the behavior of library visitors and their use of facilities and	Manager Customer Experience

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				own device and personal data. However, when offensive or explicit content is observed being displayed in the library on the visitors personal device, staff will intervene to address the issue.		intervene as required to address in appropriate behavior / use. IT controls restrict public access to inappropriate online materials for both public computers and WiFi use Booking procedures for public computers will be implemented soon with the new PC reservation system. Note: Limited control on visitors using their own device and personal data. However, when offensive or explicit content is observed being displayed in the library on the visitors personal device, staff will intervene to address the issue.	
Operational	Information Systems & Security	Loss of central server hardware systems at the primary GoV DC site.	High	Business Continuity Plans (BCO) regularly reviewed and tested. Data is being	Medium	Bayside's Data Centre has an alternate site that is physically separate from the Main Production Data	Manager Information Technology

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				replicated from GOV DC to secondary site. A BCP test is required on completion of migration to GOV DC. - est September 2019 Services are available under contract if an emergency were to arise before the test.		Centre There has been no BCP test of the services migrated into GOV-DC. The practical time to test is on completion of migration of all services in to Gov DC, with target date of September 2019.	
Operational	Operational Activities	Loss, injury or damage to property or persons resulting from waste or cleansing activities.	High	* Documented procedures, * Training of staff, * Records of procedural compliance, * Procurement of fleet, plant and equipment to mitigate risk, * Regular servicing / maintenance of fleet, plant and equipment. * Heavy rigid vehicles have multiple cameras for visibility. * All vehicles have reversing cameras onboard.	Medium	Council employs high safety measures to ensure that people and property are safe from loss, injury or damage. This is achieved by providing elimination, substitution, isolation techniques; safe working plant, fleet and equipment; effective procedures to follow; on-the-job training; technological aids; physical aids; engineering aids; and regular maintenance	Manager Waste & Cleansing

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				* Staff act as spotters in tight or difficult areas. * A safety vehicle buffers / shadows the working vehicle on main roads for safety.		of plant, fleet and equipment.	
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. This continues to be the most effective management tool for reducing risks in this area.	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
Operational	Operational Activities	Non compliance with CCTV legislation	High	Mitigation Strategies include: - legislative compliance - Documented procedures, - training of staff, - records of procedural compliance - maintenance and replacement schedule	Medium	Legislation which impacts on how Bayside CCTV is used in public places includes: the Workplace Surveillance Act (NSW) the Privacy and Personal Information Protection Act 1998 (NSW) Council has also developed the following documents to support the CCTV Program including:- • Code of Practise • Code of Conduct • Roles and guidelines to working with CCTV • NSW Police Standard Operating Procedure	Manager Community Life

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
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 has been developed.	Manager Governance & Risk
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	Manager City Works
Operational	Operational Activities	Operational equipment failure resulting in disruption to service delivery	Extreme	Regular Inspections and Maintenance of equipment along with replacement programmes.	Medium	Controls in place and working well, external plant hire utilised when required	Manager City Works
Operational	Operational Activities	Partnerships and communication ineffective.	Very High	Coordination, communication and collaboration management initiatives. Monthly catch up meetings	Medium	Mitigation strategies in place and reviewed.	Major Projects Director

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				with relevant client teams. Handover processes agreed and enforced.			
Operational	Operational Activities	Partnerships between City Works and other Business Units ineffective	High	Improve Coordination, communication and collaboration between Business Units initiatives	Medium	Communication channels need to be available with staff trained to use them, such as the CRM system. Ongoing dialogue between City Works and Major Projects in relation to planned capital works has been initiated	Manager City Works
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 agreements, refresh Governance Framework	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 introduced. Induction sessions includes governance session. Strong partnership with Learning to	Manager Governance & Risk

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						implement necessary compliance training.	
Operational	Operational Activities	Partnerships between Procurement and other Business Units ineffective	High	Coordination, communication and collaboration management initiatives, regular meetings and procurement staff working off-site with their stakeholders.	Medium	Progress has been made in Procurement engaging with other Sections and achieving better outcomes accordingly. But there are still some Sections in Council that need to be strategically engaged with a view to improving their procurement practices. THis will be improved with the Procurement section has a full complement of staff.	Manager Procurement
Operational	Operational Activities	Performance Reporting Inadequate	Extreme	Progressive rollout and testing of performance meaurement and management processes	Medium	HR analytics has been developed and the first quarterly report will be provided to Executive Committee May 2019. Employee self service will be implemented in 2019 which will allow line managers to have	Manager People & Organisational Culture

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						access to HR analytics.	
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.	Manager Procurement
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	Manager City Works
Operational	Operational Activities	Performance Reporting Inadequate	Medium	Progressive rollout and testing of performance meaurement and management processes	Medium	Reporting in line with Corporate Calendar	Manager - City Infrastructure
Operational	Project	Personality clashes	High	"Better together" approach actively encouraged across team Social IT only Team outings, Bowling, Lunches IT All hands meetings celebrating	Medium	Better together approach and celebration of personalities	Manager Information Technology

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				each other successes, personalities and pastimes			
Operational	Reputational	Poor management of media issues	Very High	Media management strategy	Medium	Poor Management of Media Issues can be detrimental to 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.	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
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 procurement practice. This will show the tangible benefits of good procurement.	Manager 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.	Manager Procurement
Operational	Project	Project cost exceeds budget	Very High	Ensure that the appropriate budgets are included in the	Medium	Mitigation strategies in place and reviewed	Major Projects Director

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				City Projects Program by the Strategic Assets Management Committee. Design within budget.Monitor 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 s10.7 planning certificate template by Councils legal adviser Amendment of s10.7 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	Manager - Strategic Planning

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
Operational	Project	Resource performance issues	Very High	Performance Management / Work Plan tracking	Medium	Performance Management and Work Plan tracking have largely mitigated the Risk of ongoing resource performance issues	Manager Information Technology
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 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. Events staff also	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						ensure that, as much as possible, all events are accessible to everyone in the community including those with a disability, in a wheelchair or a walking frame, the visually impaired and the frail aged.	
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. Council is currently preparing a Communications and Social Media Strategy for Bayside. How Council uses	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						social media will be reviewed this year with the establishment of the Business Improvement Unit. This is happening and in the past few months Council's presence on social media has improved and its engagement with the community via this medium is growing. Better planning and preparation of posts is the reason for the improvements.	
Operational	Operational Activities	Sporting venues may not meet community expectations and service levels	High	Investment in alternative 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	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. Liaison with City Life and City Futures on development of relevant asset	Manager Parks and Open Spaces

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				conditions. City Presentation are only responsible for the maintenance of open space areas, we do not undertake the role of strategic asset management or asset conditioning nor have control over usage allocations.		management strategies.	
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. A project group has been formed to develop and implement a tool kit for Managers to support them in the induction to the new staff members Business Unit.	Manager People & Organisational Culture

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
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. Partnership developed with Governance & Risk to identify further risk mitigation measures.	Manager Parks and Open Spaces
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 training of operational staff.	Medium	Controls Reviewed prior to commencing work on the site.	Manager City Works
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	Medium	Council regularly monitoring position with legal advisors and professionals. Council acting on prudent legal advice in balance public interest	Manager Governance & Risk

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				possible obtained * Referral to appropriate external agency to pursue action i.e. NSW Crime Commission		responsibilities and commercial realities.	
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.	Manager - City Infrastructure
Operational	Operational Activities	Botany Aquatic Centre forced to shut down due to maintenance issues	High	Processes and procedures to ensure adequate maintenance of equipment Staff training to ensure that processes are followed Communication amongst staff to ensure reporting of any issues	Low	Botany Aquatic Centre is undergoing regularly maintenance and scheduled maintenance. Staff training is constantly being updated. Maintenance meeting with relevant officers has occurred. Maintenance agreed to and timeframes implemented for winter 19.	Manager Recreation and Community
Operational	Operational Activities	Cashless facility at Mutch Park Squash Courts	High	Implementing emergency cash process If phone lines are not working issue mobile	Low	Sport and Recreation currently progressing emergency cash	Manager Recreation and Community

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				phone to staff to be able to take bookings		process and issue of mobile phone.	
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 the like. Guidelines and manuals such as the Procurement Guidelines, and a Procurement Manual with commensurate education will improve things further.	Manager Procurement
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	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						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 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. The stART Arts Festival is currently unreview to see how it can be improved by working more closely with the Community Capacity Team.	
Operational	Information Systems & Security	Help desk functions ineffective	Medium	Documented procedures, training of staff, records of procedural compliance Knowledge	Low	Documented procedures, training of staff, records of procedural compliance Knowledge	Manager Information Technology

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				Management Database sharing procedures / Intellectual property		Management Database sharing procedures / Intellectual property Ongoing development of staff has been actioned and further development opportunities acknowledged.	
Operational	Project	Low IT team motivation	Low	Regular and fun team meetings, focused around private lives, hobbies and feel good achievements.	Low	IT All Hands Meetings fortnightly celebrating successes, Team outings - Bowling, Lunch	Manager Information Technology
Operational	Operational Activities	Parks and public spaces may fail to meet service guarentees	Medium	Ensure all assets are profiled accurately. This determines Parks & Open Space works maintenance schedules. Once completed, proactive works shedules will be monitored in line with compliance to service guarantees.	Low	With the proposed mitigation strategies in place, the inherent risks associated are significantly lower.	Manager Parks and Open Spaces
Operational	Operational Activities	Partnerships between Certification and	Medium	Policy procedures across units on the communication and	Low	Checklist and workflows have been created in CRM and	Manager - Certification

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
		other Business Units ineffective		distribution of information through CRM and Content Manager.		pathway to ensure that business units are a 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. | Head of Communications and Events |
| Operational | Operational Activities | Partnerships between Information Technology and | High | Customer Survey KPI's on every closed Service Desk case keeps IT Management aligned | Low | Mitigated through Survey tracking and Application Lifecycle Management | Manager Information Technology |

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
		other Business Units ineffective		to CSAT issues Application Lifecycle Management brings a "better together" approach to Business IT collaboration			
Operational	Operational Activities	Partnerships between Parks & Open Space and other Business Units ineffective	Medium	Coordination, communication and collaboration management initiatives, are organic throughout the organisation. All current communication (written and verbal) between service units is well documented and conveyed.	Low	Communication and coordination is being well delivered via new performance measures as set out within the Operations Plan and Strategic Plan. Strong partnership being developed with Governance and Risk.	Manager Parks and Open Spaces
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	Low	With mitigation strategies in place, the inherent risks associated are significantly lower.	Manager Parks and Open Spaces

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				measures. All Performance reporting relating to the city plan has been completed as per programmed objectives.			
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. Challenging staff and ensuring they are motivated to work across the organisation to ensure all services are promoted to the community means better outcomes for Council as the community has a better understanding	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						of what can and can't be achieved. Strong and effective communication is extremely important for council and the community.	
Operational	Operational Activities	Performance Reporting Inadequate	Medium	Migration of Authority data into Pathway and lodgement of applications into Pathway	Low	When property data all integrated into one system, it will provide for less inaccuracy in data.	Manager - Certification
Operational	Project	Poor leadership	High	Performance Reviews Very flat Management structure - IT Manager has open door policy Open planning for strategic direction (All Team contributions are sought) IT All Hands Meetings (Open Team meetings fortnightly celebrating everyone's successes Constant learning model driven for all of	Low	Team is tracking well, POC Partner regularly engaged and recent Teaming exercise completed. There is no evidence to suggest this is a risk at present time	Manager Information Technology

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				IT - Keeping skill sets current and aligned to Best practice frameworks ITIL Best Practice Framework adoption - Ensuring methodology follows industry standard best practices.			
Operational	Project	Poor staff selection procedures	Very High	Staff selection is conducted with a panel of diverse people and personality types with relevant skillets Peer review and documentation of hiring selection	Low	Staff selection is conducted with a panel of diverse people and personality types with relevant skillets Peer review and documentation of hiring selection	Manager Information Technology
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	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						possible. If they are 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. Promoting Council's brand in a consistent and professional manner is important for reputation and recognition.	
Operational	Operational Activities	Sponsorships insufficient	Medium	Sponsorship drive	Low	For some events Council deems it appropriate to seek support and	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						sponsorship from the local business community. Care needs to be taken when budgeting for such events that the sponsorship is confirmed otherwise Council may need to make the difference, which if substantial, can greatly impact the events budget for that financial year. ICAC guidelines followed for any decisions relevant to sponsorship.	
Operational	Operational Activities	Sporting Faciities, 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. System has been selected and subject to conditions will be procured. Implementation will allow for a more transparent system	Manager Recreation and Community

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						minimising gaps and double bookings.	
Operational	Financial	Staff theft either cash or via accounting software.	High	Rotating staff through cash handling roles Audit processes Cash handling process	Low	Mitigation strategies are been implemented and embedded including new Cash Handling Business Process and Control document adopted by Executive in December 2018.

Recommendations and actions from the Cash Handling Audit undertaking by BDO in February/March are being implemented with progress reported to the Internal Audit and the Risk and Audit Committee.

CCTV surveillance is present at Eastgardens and Rockdale Customer Service Centre Counters. CCTV cameras will be installed in the | Manager Customer Experience |

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						strongrooms at Eastgardens and Rockdale Customer Service centres during May 2019. This will provide increase surveillance in relation to cash handling. Regular Customer Service staff training, education and feedback regarding cash handling is occurring. Update of Customer Service procedures and relevant forms is in progress to improve transparency, accountability and segregation of duties in relation to cash handling. Improved record keeping procedures and practices now in place to ensure relevant documentation is completed and filed in content manager.	

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
Operational	Project	Storms, flooding, tempests	Low	Employees that use computer based services can work from home due to Bayside's Virtual Machine environment	Low	Employees that use computer based services can work from home due to Bayside's Virtual Machine environment	Manager Information Technology
Operational	Operational Activities	Telephony systems ineffective	Very High	Key staff also have a Mobile phone a contract for refresh and technology upgrade has been executed. Rollout and migration schedule through to July 2019 the new and old system are operating in parallel during transition	Low	Key staff also have a Mobile phone A new service has been contracted and is being rolled out through to July 2019	Manager Information Technology
Operational	Operational Activities	Town Centre and Neighborhood Centre street cleansing activities inadequate	Medium	* Documented procedures, * Training of staff, * Records of procedural compliance, * Procurement of fleet, plant and equipment to mitigate risk, * Regular servicing /	Low	Council can easily switch between using mechanical processes to deliver services, such as mechanical street and footpath sweeping, to manual processes such as using broom, blower, bag and shovel.	Manager Waste & Cleansing

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
				maintenance of fleet, plant and equipment.			
Operational	Project	Transport problems, including aircraft / vehicle / public transport issues	Low	Employees that use computer based services can work from home due to Bayside's Virtual Machine environment	Low	Employees that use computer based services can work from home due to Bayside's Virtual Machine environment	Manager Information Technology
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 2020. Currently waiting on City Performance team to develop and implement a software based works management system, until this is in effect no further improvement can be gained on this front.	Manager Parks and Open Spaces
Operational	Operational Activities	Unexpected, undesirable crowd behaviour	High		Low	Where possible the Communications and Events Lead and Co-ordinator of Events	Head of Communications and Events

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
						should be present at all events/functions to deal with any 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	Project	Vested interests creating conflict and compromising Council's public image and compliance	Very High	Governance Policy and Conflict of Interest declaration Team building and recognising success are improving the culture.	Low	Processes and Policies have strict control on this risk	Manager Information Technology
Operational	Human Resources	Workforce Management Plan Poorly Developed and / or Implemented	High	Workforce Management Plan	Low	A strategic Workforce Plan was developed in 2017 named Bayside 2030 - Strategic Workforce Plan 2030. A	Manager People & Organisational Culture

Risk Area	Risk Category	Risk Description	Inherent Risk	Mitigation Strategy	Residual Risk	Comment	Risk Owner Position
Political	Project	Change of Federal / State government	High	Ensuring industry leading systems so any major changes can be implemented without major rework Software contracts should ensure that compliance needs are included as standard condition.	Medium	Ensuring industry leading systems so any major changes can be implemented without major rework	Manager Information Technology
Political	Project	War & disorder	High	Employees that use computer based services can work from home due to Bayside's Virtual Machine environment	Medium	War cannot be mitigated, though unrest can be somewhat mitigated to allowing people to work from home via Virtual Machine Cloud access	Manager Information Technology
Political	Project	Change of Federal / State Government policy / legislation	Low	Ensuring industry leading systems so any major changes can be implemented without major rework	Low	Ensuring industry leading systems so any major changes can be implemented without major rework	Manager Information Technology

Bayside Council
Serving Our Community

Risk & Audit Committee 23/05/2019

Item No	5.12
Subject	**Confidential - Liability Claims Performance Overview**
Report by	Doris Lum, Acting Coordinator Risk Management
File	F08/85.002

Confidential

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