

MEETING NOTICE

A meeting of the
Risk & Audit Committee
will be held in the Level 2 Conference Room
Administration Centre,
Princes Highway Rockdale
on Thursday 22 August 2019 at 6:30 pm

AGENDA

ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

	prese	ide Council respects the traditional custodians of the land, and elders past and ent, on which this meeting takes place, and acknowledges the Gadigal and gal Clans of the Eora Nation.				
2	APO	LOGIES				
3	DISC	LOSURES OF INTEREST				
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	Qual	ity Management (Manager Finance)				
	Nil.					
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	Legi	slative 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 22/08/2019

Item No 4.1

Subject Minutes of the Risk & Audit Committee Meeting - 23 May 2019

Report by Fausto Sut, Manager Governance & Risk

File SF19/210

Officer Recommendation

That the Minutes of the Risk & Audit Committee meeting held on 23 May 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

Councillor Dorothy Rapisardi Meredith Wallace, General Manager Michael Mamo, Director City Performance Fausto Sut, Manager Governance & Risk Natasha Balderston, Coordinator Risk & Audit Jeremy Morgan, Manager City Infrastructure Matthew Walker, Manager Finance Colin Clissold, Director City Presentation Bobbi Mayne, Manager Customer Experience David Nolan, Director Financial Audit Services - Audit Office of NSW Mark Cleland, Acting Manager IT Cate Trivers, Project Manager Project 2020 Sandra Kapsalis, Coordinator Payroll Kate Kennedy, Coordinator Fleet Operations & Stores Antoinette Naudi, Coordinator Financial Accounting Bryce Spelta, Coordinator City Works

The Chairperson opened the meeting in the Conference Room, Level 2 of the Administration Building at 6.30 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

There were no apologies received.

3 Disclosures of Interest

There were no disclosures of interest.

4 Minutes of Previous Meetings

4.1 Minutes of the Risk & Audit Committee Meeting - 28 February 2019

Committee Recommendation

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

2 That outstanding Actions from previous meetings were updated.

Item	Action	Responsible Officer
Outstanding 22/11/18 5.1	An annual report of the Risk & Audit Committee will be prepared for the February 2019 meeting.	Committee Chair
23/05/19 5.1	Project 2020 Reports are to include percentage completed of each task.	Project Manager, Project 2020
23/05/19 5.3	A copy of the Audit Opinion to be sent to Committee Members as soon as possible after receipt.	Manager, Governance & Risk
23/05/19 5.8	A report come back to the Committee on the outstanding recommendations that are 'overdue', including detailed reasons, and timeframes if they cannot be completed by the next meeting.	Internal Auditor
23/05/19 6.1	A report come back to the Committee's November 2019 meeting on Council's Legislative Compliance Framework.	Manager, Governance & Risk

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

Committee Recommendation

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

5 Reports

5.1 Project 2020 Status Report

Committee Recommendation

- That the Risk & Audit Committee received the updated Project 2020 Project Status Report as of April 2019 and noted 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 noted 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).
- That the Risk & Audit Committee noted the major P2020 project risks and mitigations.
- That the Risk & Audit Committee noted 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).

5.2 2017/18 IT Audit of general controls - Management Response Letter to Audit NSW

Committee Recommendation

That the Risk & Audit Committee received and noted this report.

5.3 Audited 2017/18 Financial Statements & Audit Reports

Committee Recommendation

1 That the report was received and noted.

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

5.4 Final Cash Handling Audit Report

Committee Recommendation

That the Risk & Audit Committee received and noted the final internal audit report on Cash Handling.

5.5 Draft Inventory Management Audit Report

Committee Recommendation

That the Risk & Audit Committee received and noted the Draft Inventory Management Internal Audit Report.

5.6 2018/19 Audit Plan Status Report

Committee Recommendation

That:

- the progress made on the 2018/19 internal audit plan was noted;
- the internal audits yet to be undertaken for 2018/19 and the timing of these audits were noted;
- the Committee endorsed and approved the deferment of the Asset Management audit to 2019/20.

5.7 Revised 3-Year Audit Plan

Committee Recommendation

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

5.8 Audit & Health Check Recommendations Progress Update

Committee Recommendation

That the Committee received and noted the status on the internal audit and health check recommendations.

5.9 Proposed Risk & Audit Committee Meeting Schedule for 2019/20

Committee Recommendation

- 1 That the proposed meeting schedule for the Risk & Audit Committee meetings in 2019/20 was received and noted.
- 2 That the proposed meeting schedule for the Risk & Audit Committee meetings for 2019/20 was approved.

5.10 TechnologyOne Post Implementation Review Project Update

Committee Recommendation

That the report was received and noted.

5.11 Strategic & Operational Risks - Quarterly Review

Committee Recommendation

- 1 That the report on the Risk Register Review was received and noted.
- That the Committee endorsed the actions to improve the quality of the risk register.

5.12 Liability Claims Performance Overview

Committee Recommendation

That the report was received and noted.

5.13 Final Inventory Management Audit Report

Committee Recommendation

That the Risk & Audit Committee received and noted the Final Inventory Management internal audit report as part of consideration of Item 5.5.

5.14 Audited 2017/18 Financial Statements and Audit Reports

Committee Recommendation

That the report was received and noted as part of the Committee's consideration of Item 5.3.

6 General Business

6.1 Legislative Compliance

Note: Council's progress on legislative compliance was raised.

7 Next Meeting

That the next meeting be held in the Conference Room, Level 2 of the Administration Building at 6:30 pm on Thursday, 22 August 2019.

The Chairperson closed the meeting at 8:37 pm.

Attachments

Nil



Risk & Audit Committee 22/08/2019

Item No 5.1

Subject Outstanding ICAC Actions Update

Report by Michael Mamo, Director City Performance

File F17/634

Summary

A progress report on Council's implementation of the agreed actions responding to the Independent Commission Against Corruption's (ICAC) Operation Ricco Report recommendations resulting from the investigation into fraud and corruption at the former City of Botany Bay Council.

Officer Recommendation

That the Risk & Audit Committee notes the status of implementation of Council's management progress towards finalising the implementation of the Operation Ricco ICAC Action Plan.

Background

Council has continued to implement the Action Plan in response to ICAC's Operation Ricco Report and progress is reported quarterly to the Risk & Audit Committee.

Progress report - August 2019

The following table provides a progress update on the 4 four remaining actions that were outstanding as of the last update (May 2019). For this update, 3 actions are considered completed and 1 action remains outstanding and is expected to be completed by 31 October 2019. When the 1 remaining action is completed, we will provide ICAC with a final report advising that all actions have been implemented.

Recommendation > Bayside Council Action	Responsible Officer	Comment		
R1: That Bayside Council reviews its financial processes and makes any necessary changes to ensure that:				
R1.2: The vendor master file is subject to appropriate segregation and review-based controls				
Expand the use of TechnologyOne Contract Management module to support better establish and monitor terms and conditions and procurement compliance.	Michael Mamo	This action is considered completed on the basis that Council is licensed for the TechnologyOne Contracts module which will be implemented as part of the TechnologyOne upgrade project.		

Recommendation > Bayside Council Action	Responsible Officer	Comment
		of the control frameworks governing processes ents any recommendations arising from the
		of the control frameworks governing processes that recommendations arising from the review.
Post amalgamation policy alignment and	Fausto Sut	This action is considered outstanding and is expected to be completed by 31 October 2019.
harmonisation.		As part of the Policy Harmonisation Project all outstanding policies have been prioritised and an officer appointed for 12 months to manage this project. The majority of key policies have been reviewed and harmonised. There are some key policies still to be finalised, these are expected to be completed as part of Project 2020 with a completion date of 31 October 2019.
		As at 30 June 2019, of the 18 identified priority policies/procedures that impact on Project 2020 outcomes, 8 are adopted, 5 are in draft, 5 have not been started. The latter are:
		Accounting, Contaminated Land, Cash Handling, Cab Charge and Petty Cash.
		There are other policies which are not related to this action which will be reviewed and completed by 30 June 2020.
Ongoing improvement of	Matthew Walker	This action is considered completed.
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.		Business Process and Controls for Financial Reporting were implemented in 2018/19 included monthly reconciliations of all balance sheet accounts and regular Bank Reconciliations. This process has been established in 2018/19 and continues to be embedded for 2019/20.
Implement a more robust	Fausto Sut	This action is considered completed.
Business Governance Model including strengthening the policy and process ownership model, systems, change protocols and authorities.		We have established a business governance model as part the Policy Harmonisation Project and Business Processes and Controls Project. All policies and key business processes and controls are being managed in line with this model.

Attachments

Nil



Risk & Audit Committee 22/08/2019

Item No 5.2

Subject Project 2020 Update

Report by Matthew Walker, Manager Finance

File F19/70

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) and subsequently on the 2017/18 Financial Statements. As part of the Governance structure for Project 2020, the Risk & Audit Committee will receive quarterly project updates.

Officer Recommendation

- That the Risk & Audit Committee receives the updated Project 2020 Project Status Report as of August 2019 and notes the major P2020 milestones, project risks and mitigations. In particular, noting:
 - a The 2017/18 Financial Statements are with the OLG but the Rating Return audit remains in progress with the audit certificate outstanding.
 - b The 2018/19 Financial Statements are due to be submitted to audit on 23 August 2019.
 - The High Risk rating for the remediation of the Assets including Land Improvements and Other Structures remains due to ongoing quality assurance and timeframes.
 - d High Risk rating continues in IT due to a number of new system implementations in 2018/19 not yet having been subjected to audit.
 - e Action plans are in place and risks being managed with additional resources from professional firms to support quality and timeframes.
- 2. That the Risk & Audit Committee notes the NSW Audit Office has provided the Draft Annual Engagement Plan (draft AEP) on 11 August 2019 (refer Attachment 3) advising the proposed audit approach and dates for the audit program, which includes significant detailed testing to source transactions and an audit cost of \$500,000.
- That the Risk & Audit Committee notes the timeframes in the NSW Audit Office draft AEP align with the P2020 project plan and the 2018/19 financial reporting timetable to finalise the audit in a timeframe which allows Council to meet the statutory reporting deadlines.
- 4. That the Risk & Audit Committee notes the major P2020 Project risks and mitigations (refer Attachments 1 and 2).
- 5. That the Risk & Audit Committee notes the status update provided in attachments 4, 5 and 6 to this report for the actions related to the:

- 2016/17 interim audit management letter
- 2016/17 final audit management letter
- 2017/18 interim IT audit management letter
- 6. That the actions reported in attachments 4, 5 and 6 of this report with a status of either completed or superseded be closed with no further reporting required.

Background

Council has formulated a detailed action plan "P2020" to address the disclaimer of opinion on its financial reports. This plan is dissected into four discrete work streams and is based on incremental improvements on the audit opinion with targets for a qualified audit opinion for 2018/19 and a clear audit opinion for 2019/20.

Council has devoted significant internal and external resources to P2020 as it completes the required activities of the detailed action plan.

Regular updates will be provided at the quarterly Risk & Audit Committee meetings.

Project Status Report – as at 12 August 2019 – Off-track and at Significant Risk

The overall project status as at 12 August 2019 is considered to be off-track and at significant risk. Meeting the deadlines for lodgement of complete draft set of 2018/19 financial reports by 23 August 2019 is now unlikely. The main reasons relate to the Asset Stream being three (3) plus weeks overdue for project deliverables and issues with data quality being identified late in the work stages that need to be corrected. The Rapid Map, inventory and valuation process, of the Land Improvements and Other Structures asset classes is also off track to time and untested with the revised date now 16 August 2019.

If Council were to fail to meet the 23 August 2019 delivery deadline for the complete draft set of 2018/19 Financial Reports, there is a significant risk that the audit process will not be completed in time to enable the lodgement of the Audited 2018/19 Financial Reports by the statutory due date 31 October 2019.

The finance stream is now focused on the finalisation of all accounting entries, other than assets, and the quality review process. This is expected to be completed in accordance with the overall project timelines.

The project status report provides a summary of P2020 against project milestones for each work stream, progress on remediation of significant audit issues and project risks and risk management (refer Attachment 2).

Council originally received a draft audit client engagement plan for 2018/19 on 5 July 2019 and following a meeting with the Audit Office Audit Director on 30 July 2019, a revised draft client engagement plan was received on 11 August 2018 (refer Attachment 3). Any amendments or changes to the draft client engagement plan will be tabled at the Risk & Audit Committee meeting 22 August 2019.

The Manager Finance will provide an update on overall project status at the meeting.

Mitigation Action

Council has committed further resources to the Asset Stream and increased focus on this area as it attempts to bring this back into line with overall project deliverables. At the time of writing this update we are not able to comment on the outcome of the mitigation actions.

The Asset Stream Lead will provide an update at the Risk and Audit Committee meeting 22 August 2019.

Future Activities

- Completion of quality review for draft 2018/19 financial reports excluding Assets.
- Completion of Client Engagement Plan and required information.
- Implementation of Asset Stream Mitigation Actions.
- Rapid Map, Inventory and valuation of relevant asset classes.

2018/19 Draft Audit Engagement Plan, Draft Update 11/08/2019

The NSW Audit Office have issued a revised draft Audit Engagement Plan (AEP) on 11 August 2019 and Audit Engagement Information Request (refer Attachment 2) which commits the audit program dates to be in line with the P2020 Project Plan for reporting of the 2018/19 Financial Statements in accordance with statutory reporting timeframes.

Key dates as follow:

- Draft Statements submitted to Audit Office, 23 August 2019.
- Extraordinary Risk & Audit Committee Meeting, 24 October 2019.
- Audit clearance meeting, 28 October 2019.
- Audit Office issues Engagement Closing Report, 28 October 2019.
- Extraordinary Council Meeting to refer to Audit, 30 October 2019.
- Submission of 2018/19 Financial Statements to the Office of Local Government, 31 October 2019.
- The Audit Opinion and final Statements will be reported to the November Council meeting (subject to receiving the audit opinion).
- The Draft Annual Report is submitted to Audit, November 2019.
- Audit Office issues final Management letter, 30 November 2019.

The risk previously identified with the proposed audit timeframes increases 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. This risk continues to be realised as the Draft Audit Engagement Plan (11 August 2019) provides the Audit Office's proposed approach and an audit program of \$500,000, which would indicate extensive audit work over a limited timeframe.

Mitigations to manage this risk include:

 Negotiation with NSW Audit Office to commence the final audit earlier and clarification of audit approach - meeting held 30 July 2019.

- Quality of Working Papers and internal assurance reviews additional resources engaged from accounting and asset technical advisory firms to improve quality of working papers and reviews prior to audit.
- Internal processes to complete the 2018/19 asset capitalisation were commenced in April 2019 and were due to be finalised by 12 July 2019 (actual completion 9 August 2019) - a comprehensive quality assurance is in progress to support quality audit working papers for 2018/19 and has identified quality issues that need to be addressed.
- Internal focus on quality of interim audit working papers and sample testing including review of asset, liability and audit issues remediation - extensive external resources continue to be engaged to support this process.
- Logging of all Audit queries and responses to ensure Council's timely and quality response to audit.
- Draft 2018/19 Financial Statements will still be submitted to Audit on 23 August.

Progress on Audit Issues

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

- 2016/17 interim audit management letter (attachment 4)
- 2016/17 final audit management letter (attachment 5)
- 2017/18 interim IT audit management letter (attachment 6).

Details of the audit issues, actions and progress are provided in the attachments 4, 5 & 6 for each of these management letters. This report recommends that where an action has been reported with a status as either completed or superseded that the action be closed and no further reporting be required.

Actions Status Summary

Overall there are 128 actions, of which 95 have a status of completed, 2 have a status of superseded, 30 are in progress and 1 has not yet commenced.

Below is a summary of the status of the actions for each audit management letters attached to this report.

2016/17 Interim Audit Management Letter:

Status Number of Actions Completed 36 Complete - Superseded* 2 In Progress 10	Action Summary		
Complete - Superseded* 2	Status		
	Completed	36	
In Progress 10	Complete - Superseded*	2	
	In Progress	10	
Not Started 1	Not Started	1	
Total 49	Total	49	

*Complete - Superseded Actions refer to an action that is being finalised as a result of a different action being identified as more applicable e.g. a duplicate in another audit report, and or where the original proposed action is no longer current and applicable.

- Of the 36 Actions "Completed" 35 were previously reported as complete (or previously superseded) and 1 has been completed since the last update being the implementation of accounts payable and health check.
- Of the remaining 11 actions 1 has not yet started, being monthly depreciation postings as it is dependent on the TechnologyOne Project
- Of the 10 actions remaining "In progress", all are reported with revised dates from original dates. The revised dates reflect dependencies on system development and revised business processes which align with the TechnologyOne project, ongoing program of improvements in asset management, and timeframes adjusted to allow for embedding practices in particular ongoing improvements in TechnologyOne reconciliations and registers.

2016/17 Final Audit Management Letter

Action Summary	
Status	Number of Actions
Completed	41
Complete - Superseded*	0
In Progress	16
Not Started	0
Total	57

*Complete - Superseded Actions refer to an action that is being finalised as a result of a different action being identified as more applicable e.g. a duplicate in another audit report, and or where the original proposed action is no longer current and applicable.

- Of the 41 Actions Completed 14 were previously reported as complete and 27 have been completed since the last update.
- Of the 16 actions remaining "In progress" 9 actions have revised due dates, primarily to 30 June 2020 due to a dependency on system development and revised business processes required which align with the TechnologyOne project, ongoing program of improvements in asset management, and timeframes adjusted to allow for embedding practices.

2017/18 Interim IT Audit Management Letter

Action Summary	
Status	Number of Actions
Completed	18
Complete - Superseded*	0
In Progress	4
Not Started	0
Total	22

*Complete - Superseded Actions refer to an action that is being finalised as a result of a different action being identified as more applicable e.g. a duplicate in another audit report, and or where the original proposed action is no longer current and applicable.

- 18 Actions have a status of completed
- The remaining 4 actions that remain "In progress" all have updated Revised Dates.

Attachments

- 1 Attachment 1 P2020 Overall Status U
- 2 Attachment 2 P2020 Project Status Update By Work Stream 1 August 2019 J
- 3 Draft 2018/19 Client Engagement Plan Audit Office NSW I
- 4 2016/17 Interim Audit Management Letter Actions Update J.
- 5 2016/17 Final Audit Management Letter Action Update U
- 6 2017/18 Interim IT Audit Management Letter Action Update U

Attachment 1: Overall Project Status Report - as at 11 August 2019

Current Status	In Progress - Off track - At Risk		
Overall Risk Rating	Consequence - Very High; Likelihood - Likely Overall Risk Assessment - High		
Next Milestone/s	2018/19 Interim Audit Management Letter - To be advised. 2018/19 Finalise Draft Audit Engagement Plan - To be advised. Final Asset Adjustments (WBS 2) - 15 August 2019. Submission to Audit - 23 August 2019. Draft Statements submitted to Audit Office, 23 August 2019. Extraordinary Risk & Audit Committee Meeting - 24 October 2019. Audit clearance meeting - 28 October 2019. Audit Office issues Engagement Closing Report - 28 October 2019. Extraordinary Council Meeting to refer to Audit - 30 October 2019 Audit Office. Submission of 2018/19 Financial Statements to the Office of Local Government - 31 October 2019. The Audit Opinion and final Statements will be reported to the November Council meeting (subject to receiving audit opinion). The Draft Annual Report is submitted to Audit - November 2019. Audit Office issues final Management Letter - 30 November 2019.		

Project Status Update

Overall the project is reported Off track - At Risk to final milestones.

The emerging issues placing the project at risk and impacting the next milestone relate to: the finalisation of quality reviews of asset information and the quality timeliness of completion off the verification and valuation of Land Improvements and Other Structures (external consultancy Rapid Map). Refer to the WBS 2 - Asset Management work stream update. To mitigate these issues, significant additional asset technical advisory services have been engaged to support the Asset Management project work stream team to deliver key deliverables and conduct quality assurance. Quality assurance reviews of capitalisation are expected to be completed by 12 August 2019, from which corrections are to be finalised by 15 August, for finalisation of financial accounts and fixed asset registers by 16 August 2019. Final RapidMap asset data collection is due by 9 August with valuation by 16 August.

WBS 1.2 Financial Statements 2018/19 are In Progress - Off track - At Risk, due to the above time delays in finalising asset information which has resulted in rework and delayed the posting of the year end accounting journals, including depreciation. Other areas of the year end process remain slightly off-track day to day, however are on track to commence the balance of quality and analytical reviews from Monday, 5 August.

The NSW Audit Office has issued the revised Draft Audit Engagement Plan (AEP) (5/07/2019 first draft) and Engagement Information Request. The Draft AEP signals a significant audit program at a cost of \$500,000 to Bayside Council rate payers. Management have met with the Director of Audit on 30 July 2019 to discuss the proposed audit program and requested a review of the Draft to ensure the approach takes into account previous audit work to provide an expedient and cost effective audit process. The Audit program and timeframes also represent a risk for finalising the audit in accordance with the statutory reporting timeframes. The 2018/19 interim audit commenced in late June 2019 and concluded in July 2019. Council has requested the interim audit management letter to be issued as soon as possible to ensure any issues raised can be considered prior to the submission of the 2018/19 Financial Statements on 23 August 2019.

The first milestone for WBS 1.1 was achieved when the 2017/18 Financial Statements were submitted to audit on 10 April 2019. However, there have been delays in the finalisation of the audit of the Rating Return and the audit certificate has not yet been received. This work package remains off-track as the Office of Local Government does not acknowledge the submission of the 2017/18 Financial Statements without the Rating Return Certificates. The Manager Finance has again met with the Audit Office (30 July 2019) to understand the delays and address additional audit queries.

The WBS 3 Employee Leave Entitlements (ELE) and Payroll work stream has completed the legacy adjustments / corrections for ELE's in 2018/19. An external consultant was engaged to prepare a financial model to calculate the adjustments which have been adjusted for in 2018/19.

The WBS 4 IT work stream has continued to action the audit issues raised by the NSW Audit Office in the 2016/17 Audit Management Letter and the 2017/18 IT Management Letter received in February 2019. This includes developing and adopting an IT Policy and endorsing IT Standards to be worked towards.

Management are continuing to focus on managing emerging risks and where identified, have provided additional external resources to support the delivery of P2020 to work towards the date for submission to audit (26 August 2019). Resources have been engaged across Assets and Finance to conduct quality assurance reviews, analytical reviews, and improve quality of working papers.

Attachment 2: P2020 Project Status - Update by Work Stream - 11 August 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.

WBS 1.1 Financial Statements - 2017/18

Current Status:	In Progress – Off track	
Overall Risk Rating:	Consequence – Very High; Likelihood – Likely; Overall Risk Assessment – High	
Next Milestone/s:	Audit Office Finalise Audit report on Rating Return – TBA Submit Rating Return Audit Certificate to Office of Local Government – TBA (as soon as practical once received).	

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 were submitted to audit in April 2019 with the expectation of a disclaimer of audit opinion. The 2017/18 Financial Statements received a disclaimer of audit opinion which was reported to Council in June 2019. Council submitted the statements to the Office of Local Government (OLG) on 5 June 2019.

The Office of Local Government has not acknowledged the 2017/18 Financial Statements (as of 31 July 2019) as the NSW Audit Office audit certificate for the 201/17 and 2017/18 Rating Returns remain outstanding.

The Manager Finance has met with the Audit Office (30 July 2019) to understand the delays and address additional audit queries.

Key Risks being managed include:

Risk Category	Risk	Risk Mitigation Actions	Overall Risk Assessme nt
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. Ongoing delays have been referred back to the NSW Audit Office and Management met with the NSW Audit Office on 30 July to clarify outstanding issues.	Extreme

WBS 1.2 Financial Statements - 2018/19

Current Status:	In Progress – Off track – At Risk	
Overall Risk Rating:	Consequence – Very High; Likelihood – Likely; Overall Risk Assessment – High	
Next Milestone/s:	2018/19 Interim Audit Management Letter – To be advised 2018/19 Finalise Draft Audit Engagement Plan – To be advised Final Asset Adjustments (WBS 2) – 9 to 15 August 2019 Submission to Audit – 23 August 2019 Extraordinary Risk & Audit Committee Meeting - 24 October 2019. Audit clearance meeting - 28 October 2019. Audit Office issues Engagement Closing Report - 28 October 2019. Extraordinary Council Meeting to refer to Audit - 30 October 2019. Audit Office Submission of 2018/19 Financial Statements to the Office of Local Government - 31 October 2019. The Audit Opinion and final Statements will be reported to the November Council meeting (subject to receiving audit opinion).	

Project Status Update:

WBS 1.2 Financial Statements 2018/19 are reported as In Progress – Off track – At Risk due to time delays in finalising asset information which has resulted in rework and delayed the posting of the year end accounting journals, including depreciation. Other areas of the year end process remain slightly off-track day to day, however are on track to commence the quality and analytical reviews from Monday 5 August.

The project team consists of the Bayside Council's Finance Business Unit reflecting this is core operations for the business unit and has been supplemented with professional accounting services to focus on ongoing improvement to quality and assist in meeting timeframes.

The P2020 Project Plan reflects the NSW Audit Office confirmation of timeframes for interim and final audit and impact on finalisation of statements.

The NSW Audit Office have issued the Revised Draft Audit Engagement Plan (AEP) 11 August 2019 (5 July 2019 first draft) and Engagement Information Request. The Draft AEP signals a significant audit program at a cost of \$500,000 to Bayside Council rate payers. Management have met with the Director of Audit on the 30 July 2019 to discuss the proposed audit program and have requested a review of the Draft to ensure the approach takes into account previous audit work and provides an expedient and cost effective audit process.

The Audit program and timeframes represent a risk for finalising the audit in accordance with the statutory reporting timeframes. Council staff and resources are concentrating on quality of reconciliations and supporting audit work papers to be submitted to audit on time to support a timely and efficient audit process.

The 2018/19 interim audit commenced in late June 2019 and concluded in July 2019. Council has requested the interim audit management letter to be issued as soon as possible to ensure any issues raised can be considered prior to the submission of the 2018/19 Financial Statements on the 23 August 2019.

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 was implemented to bring processes back on track and to support the quality and completion of the year end reconciliations and work papers. Management continue to focus on quality and addressing system issues and correction of postings across systems. Additional professional accounting services have been engaged to support the finance team to address issues, conduct quality assurance reviews, and improve quality of audit work papers.

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. Additional external professional accounting services have been engaged to meet timeframes and improve quality of reconciliations and working papers, and reviews.	High

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 updated for revised timeframe. Additional external professional technical asset management advisory services have been engaged to meet timeframes and improve quality of reconciliations and working papers, and reviews.	High
Timeframes	Audit timeframes will limit management's ability to respond to audit issues in the critical path.	Finance addressing quality of work papers and accounts to be prepared in accordance with year end timetable and levels of resourcing within the Finance Business Unit. Additional external professional accounting services have been engaged to meet timeframes and improve quality of reconciliations and working papers, and reviews.	High

WBS 2 Asset Management

Current Status:	In Progress – Off track – At Risk	
Overall Risk Rating:	Consequence – Very High; Likelihood – High; Overall Risk Assessment – High	
Next Milestone/s:	Land Improvements & Other Structures* – Contract Checkpoints (various) Capitalisation completed – 12 July 9 August 2019 Asset journals posted, Asset notes finalised - 31 July 15 August 2019 * Final Asset Adjustments – 15 August 2019	

Project Status Update:

Overall the WBS 2 Asset Management work stream is reported Off track – At Risk to final milestones.

The emerging issues placing the project at risk and impacting the next milestone relate to:

- 1. Finalisation of quality reviews of asset information and
- 2. Quality and timeliness of completion off the verification and valuation of Land Improvements and Other Structures (external consultancy RapidMap).

To mitigate these issues significant additional asset technical advisory services have been engaged to support the Asset Management project work stream team to deliver key deliverables and conduct quality assurance.

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

Delays in finalising the 2017/18 Asset capitalisation delayed internal resources commencing on the 2018/19 Asset capitalisation and documentation of policies and working papers, with the asset capitalisation process commencing April 2019 and continuing.

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

Finalisation of Asset quality assurance is in progress, with significant internal resources and additional asset technical advisory services engaged to support the Asset Management project work stream team. Quality assurance reviews of capitalisation are expected to be completed by 2 August 2019, from which corrections are to be finalised by 7 August, for finalisation of financial accounts and fixed asset registers by 15 August 2019, being the required timeframe as outlined in the Project2020 timeframe to ensure quality disclosure in the draft financial reports.

The RapidMap engagement on Land Improvements and Other Structures now referred to as Recreation Assets is on track to deliver data by 9 August and valuation by 15 August. This will then need to be accounted for in council's financial system, asset registers updated and quality review completed.

In the last quarter, the following asset related policies and procedures have been developed and were adopted by the Executive on the 25 July 2019 and have been applied for 2018/19:

1. Interim Asset Capitalisation Policy

- 2. Interim Asset Accounting Procedures
- 3. Interim Asset Accounting Manual

In addition to the above the Audit Issues raised in the 2016/17 Audit Management Letter have continued to be remediated (refer Audit Issues Update attachment 4 to this report).

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 updated for revised timeframe. Additional external professional technical asset management advisory services have been engaged to meet timeframes and improve quality of reconciliations and working papers, and reviews.	High
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 to complete quality assurance and seek to engage the audit office in review of process and data quality at the interim audit.	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 work papers and accounts to be prepared in accordance with yearend timetable. Additional external professional technical asset management advisory services have been engaged to meet timeframes and improve quality of reconciliations and working papers, and reviews.	High

Item 5.2 - Attachment 2

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 Year End Quality Review and Audit Working Papers – 15 August 2019 Submit to Audit – 23 August 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 develop a financial model of the required corrections to Employee Leave Entitlements.
- 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 work papers evidencing system implementation and data reconciliation.	High

Item 5.2 – Attachment 2

WBS 4 IT Management

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 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

Item 5.2 - Attachment 2



Ms Meredith Wallace General Manager Bayside Council PO Box 21 ROCKDALE NSW 2

Contact: Phone no: Our ref.

Dear Ms Wallace

Audit of Bayside Council for the year ending 30 June 2019

Attached is the Annual Engagement Plan (AEP) for the audit of Bayside Council's financial statements for the year ending 30 June 2019. The AEP reflects conditions unique to this engagement. You will find the standard Terms of Engagement on the Audit Office website at https://www.audit.nsw.gov.au/quirstakeholders/local-government.

If you would like to discuss the AEP, please call me on 9275-7377 or Greg Parkes on 9275-7100.

This AEP is not intended for publication. It may not be distributed to persons other than those who will sign the Statement by Councillors and Management made pursuant to section 413(2)(c) of the Local Government Act 1993 or others you determine to be charged with governance of the Council.

Yours sincerely

David Nolan

Director, Financial Audit Services

CC

Jennifer Whitten, Chair of Audit, Risk and Improvement Committee Bill Saravinovski, Mayor

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Annual Engagement Plan

for the 30 June 2019

Bayside Council



INSIGHTS FOR BETTER GOVERNMENT

FINANCIAL AUDIT

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1 SCOPE

This Annual Engagement Plan (AEP) contains important information about this year's audit

The scope of our audit comprises:

- Audit of the Council's General Purpose Financial Report, issuing:
 - an Independent Auditor's Report on the general purpose financial statements in accordance with section 417 of the Local Government Act 1993 (LG Act)
 - a report on the conduct of the audit in accordance with section 417(3) of the LG Act
- an Independent Auditor's Report on the Special Schedule 'Permissible income for general rates' in accordance with section 413(2) of the LG Act
- Independent Auditor's Report(s) for the engagements listed under section [6] Other engagements

2 KEY ISSUES

The table below details our audit assessment of issues and risks that may impact this year's audit and how the audit team will respond to them.

Our assessment of audit risk for the Council is greater than normal. Factors affecting our assessment include:

- A history of fraud at the former Botany Bay Council
- · A history of poor record keeping and internal controls at the Council
- Managements inability to provide representations about the completeness and accuracy of the financial statements for the last two audits of Bayside Council resulting in disclaimer of opinions being issued.

Audit issue or risk	Exposure	Audit response
Significant audit risks		
History of fraud and error There is a history of fraud at the former Botany Council.	There is a heightened risk of fraud and error occurring and going undetected.	We will increase our professional scepticism requiring higher level of assurance in our testing, using more senior staff and involving an engagement reviewer.
Comparative information and Opening Balances Disclaimer of opinions were issued in previous years therefore the comparative information and opening balances of the balance sheet has not been audited	The comparative information has not been audited The opening balances have not been audited	The 2019 Independent Audit Report will be modified. I am unable to determine the impact on the Income Statement, if any, of the movements between the disclaimed opening balances and closing balances. This modification does not relate to or infer that operational transactions processed in the current year are incomplete or inaccurate. The impact of disclaimed comparative information will also need consideration in the opinion.



Audit issue or risk	Exposure	Audit response
		Other modifications may be necessary if further material errors or omissions are identified during the audit.
		Significant additional audit work will have to be performed to test some balance sheet areas such as Property Plant and Equipment and Employee Provisions due to opening balances being unaudited This will significantly add to the time taken to complete the audit and the cost of the audit.
Ineffective Internal Controls The Council has not maintained effective internal controls over its operations	There is an increased chance of fraud or error occurring.	In the absence of an effective internal control environment we need to carry out significantly mon detailed substantive testing. This will significantly add to the time taken to complete the audit and the cost of the audit.

The significance of the issues and risks may change and new developments may emerge during the audit. We will inform you of significant new matters as they arise and the likely impact on the audit.

3 AUDIT APPROACH

Audit approach for key business and accounting processes

We will be adopting a substantive approach to this audit using a high level of detailed testing

Opening balances are not a reliable source of audit evidence. The existence and valuation of balance sheet accounts need to be supported by reliable corroborative evidence. For example:

- Third party confirmations and supporting reconciliations
- Valuation reports provided by experts and evidenced with appropriate management review
- Stocktake and existence evidence gained through inspection with segregated review and supporting evidence
- Reconciliation of subsidiary systems. For example, the assets register to the GIS with variances considered.
- Evidence of cut-off procedures with reference to since paid transactions or liquation of accrued transactions.

Your feedback on the planned audit approach is welcomed.

4 ENGAGEMENT COMMUNICATIONS

Communications to 'Those Charged with Governance'

Senior members of the audit team will attend relevant Council and Audit, Risk and Improvement Committee meetings and brief those charged with governance on audit progress, identified issues and their resolution.

We will liaise with management and those charged with governance to determine the meetings we will attend.



We have identified those charged with governance for the Council as:

- the General Manager who will receive our Engagement Closing Report, identifying audit findings, and the type of opinion we anticipate issuing prior to signing the financial statements.
 The General Manager will also receive the Management Letter containing detailed explanations of significant matters, governance matters, significant weaknesses and recommendations for improvement identified in the current audit
- the Mayor, who will receive the Independent Auditor's Report for the general purpose financial statements and special purpose financial statements and the Report on the Conduct of the Audit. The Mayor will also receive copies of the Engagement Closing Report and Management Letter.

The Audit, Risk and Improvement Committee will receive copies of the Engagement Closing Report and Management Letter.

Please advise the audit team if additional persons charged with governance should be included in these communications. The <u>Terms of Engagement</u> contains more information on the Audit Office's communication obligations.

5 ENGAGEMENT TIMETABLE

General purpose and special purpose financial statements

The engagement timetable, designed to achieve statutory financial reporting requirements; has been discussed and agreed with Matthew Walker, CFO.

The Engagement Information Request accompanies this AEP with dates agreed with management to deliver the information required for the audit. Whilst we make every effort to identify all information requirements in the Engagement Information Request, we may need to request further information during the audit.

Event		Date(s)	
	For items other than Infrastructure Property Plant and Equipment, Council gives financial statements and supporting working papers listed in the Engagement Information Request to the audit team for the:	26 August 2019	
	 general purpose financial statements 		
	 special purpose financial statements (declared business activities and Special Schedule 'Permissible income for general rates') 		
٠	For Infrastructure Property Plant and Equipment, the Councils gives supporting working papers listed in the Engagement Information Request to the audit team	To be advised	
•	Weekly progress meetings will be held during the final visit to ensure timely provision of working papers, resolution of issues, commitment of resources and progress against milestones.	Weekly from 26 August 2019	
	Audit clearance meeting	28 October 2019	
	Audit Office issues Engagement Closing Report	28 October 2019	
	dit team attends Audit, Risk and Improvement Committee meeting to present thosing Report**	e Engagement	
•	Council approves / reapproves financial statements for lodgement to OLG and for public exhibition, and the Mayor, a Councillor, the General Manager and the Responsible Accounting Officer sign/resign the statement	30 October 2019	
•	Audit Office issues to the Council and to the Chief Executive of OLG, in accordance with section 417 of the LG Act the:	30 October 2019	
	 Independent Auditor's Report on the general purpose financial statements 		
	 Report on the Conduct of the Audit 		



E۷	ent	Date(s)	
٠	Audit Office issues Independent Auditor's Report on the special purpose financial statements for the Council's declared business activities and Special Schedule 'Permissible income for general rates' to Council and the Chief Executive of OLG	30 October 2019	
٠	Audit Office reports any identified significant issues to the Minister in accordance with section 426 of the LG Act	30 October 2019	
•	Council gives the audit team final version of draft Annual Report to review for consistency with the financial statements	30 November 2019	
•	Council presents audited financial statements and the Independent Auditor's Reports at the Council meeting		
•	Audit Office issues final Management Letter. (Audit will attempt to reduce this date, but it will depend on meeting dates agreed above).	30 November 2019	

6 OTHER ENGAGEMENTS

The Audit Office website provides additional information on the terms and scope of the audits for the:

- · Application for Payment of Pensioner Concession Subsidy and the
- · Roads to Recovery Program
- Special Schedule 'Permissible income for general rates'

Additional Engagements

The Council may require audits of grant acquittals, compliance with legislation, or to provide assurance on information, reports or returns under the terms of a contract, lease or agreement.

Please advise the audit team if the Council wishes to engage the Audit Office to perform additional audits, reviews or acquittals. Separate engagement letters will be issued to confirm the terms, scope, key issues and fee arrangements for requests received after the issue of this AEP.

7 ENGAGEMENT FEES

Given the circumstances of the audit we are unable to prepare a reliable estimate of what it will cost to do the audit and we will revise our fee estimate as required during the course of the audit.

At this stage, we estimate the costs to be \$500,000 excluding GST. The Council will be invoiced monthly as costs are incurred. The Audit Office's payment terms are 14 days.

We will bill the Council monthly as costs are incurred based on our standards charge out rates which are available on our website. I will provide costing reports to support resources allocated and hours charged to the engagement, support invoicing.

The Audit Office has published its 'pricing approach' to provide transparency about its pricing model and hourly charge-out rates for each role. The Audit Office performs multi-layered benchmarking to promote accountability for its use of public resources. For more information, please refer to the publication on the Audit Office website.

Please provide the Audit Office with a purchase order for the total estimated audit fee.

8 ENGAGEMENT TEAM



Engagement team

The proposed audit team for this engagement is:

Engagement Controller: David Nolan

Director, Financial Audit Services

02 9275 7377

Email: David.nolan@audit.nsw.gov.au

Engagement Manager: Greg Parkes

Audit Leader 02 9275 7100

Email: greg parkes@audit.nsw.gov.au

Director, IS Audit: Gerry Coy

Director, Information System Audit Services

02 9275 7100

Email: Gerry coy@audit nsw.gov.au

Engagement Quality Assurance

Reviewer:

Aaron Green,

Assistant Auditor-General

Audit Office of New South Wales contact details:

Postal Address GPO Box 12 SYDNEY NSW 2004 Fax: 02 9275 7200 Email mail@audit.nsw.gov.au Telephone: 02 9275 7100 Internet: www.audit.nsw.gov.au

Auditor independence

We confirm, to the best of our knowledge and belief, the proposed audit team meets the independence requirements of the Australian Auditing Standards, and other relevant ethical requirements relating to the audit of the financial statements. In conducting the audit of the financial statements, should any contraventions to independence arise you will be notified of these on a timely basis.

Ethical standards have specific restrictions on employment relationships between an auditee and members of its current or previous audit teams. Please discuss the prospective employment of a current or former audit team member before starting formal employment negotiations with them.

9 FINANCIAL REPORTING MATTERS

Appendix One provides an overview of new accounting standards effective for the first time in the current financial year and beyond that are likely to have a significant impact on the Council's financial statements. The transition to and implementation of these standards will take a significant amount of



time and effort. It is important management assess the impact of these standards on the Council's financial statements and adequately plan for their implementation.

10 REPORTING TO PARLIAMENT

The 2019 Auditor-General's Report to Parliament (the Report) will report on trends and provide an independent assessment of the sector focusing on the following areas:

- the results of the council audits
- themes and key observations relating to the councils':
 - financial reporting
 - financial performance and sustainability
 - asset management
 - internal controls and governance
 - information technology.

We will advise of the specific topics the Auditor-General intends to comment on in the Report, the relevant performance data to be collected and the timetable for submitting the information to the audit team.

The information reported may change depending on the matters identified during the audit. We will advise you if this occurs.

The Report may make recommendations for specific councils or the sector more generally.

The draft Report commentary will be given to the Chief Executive of OLG and the Minister for Local Government for consideration. If there are specific comments about your Council, they will be given to Matthew Walker for consideration. The Audit Office would appreciate receiving your Council's specific comments, within five working days of receiving the draft commentary. Responses should only be provided where there is fundamental disagreement with significant issues raised by the Audit Office. This helps ensure the Report is not unduly delayed.

The draft Report must remain confidential during this process.

Appendix two provides details of recently tabled reports which may be relevant to the Council.

11 OTHER MATTERS

Workplace Health and Safety Legislation

Workplace health and safety (WHS) laws make the Council responsible for meeting legislated standards for the health, safety and welfare for the audit team when they are at your premises.

It is the Council's responsibility to

- provide the audit team with suitable accommodation and appropriate WHS induction
- ensure the audit team is aware of special personal protective equipment requirements
- appropriately brief the audit team and issue them with the necessary personal protective equipment and training in its proper use.

Further details are provided in the Terms of Engagement

Matters covered elsewhere

Please read the AEP together with the standard <u>Terms of Engagement</u>, which provides additional information on:

- the Auditor-General's responsibilities
- · auditee resources



- engagement approach
- communication and reports
- submitting financial statements for audit
- materiality, risk and the inherent limitations of an audit
- provision of working papers
- representations
- access
- clearance meetings
- accommodation, facilities and staff amenity
- determination of fees for engagements.

Publications

The Audit Office has the following useful publications on our website:

- 'Annual Work Program 2018–19' explains how the Audit Office decides what to focus on and
 what we intend to cover in the next year. It also gives Parliament, the entities we audit and the
 broader community some certainty over future topics and the timing of our reports
- Professional Update' published quarterly to help auditees and our staff keep abreast of key
 accounting, auditing and legislative developments in the NSW public sector, including
 pronouncements by professional standard setters and changes in the regulatory environment.
 To subscribe or access previous editions please visit our website at:
 https://www.audit.nsw.gov.au/our-work/resources
- Financial Reporting Issues and Developments' for the local government sector detailing:
- · current issues and financial reporting developments that may impact the audit
- accounting standards and pronouncements issued during the year that may impact the financial statements and/or annual report
- Local Government Pronouncements Guidance Note' listing key reporting pronouncements issued by OLG.



APPENDIX One - FINANCIAL REPORTING DEVELOPMENTS

New accounting standards

AASB 9 'Financial Instruments'

AASB 9 'Financial Instruments' replaces the classification, measurement, recognition and de-recognition requirements in AASB 139 'Financial Instruments: Recognition and Measurement'.

The key changes to AASB 9 compared to AASB 139 include:

- the classification of financial assets being based on the entity's business model and contractual cash flows tests
- · a change in the impairment model from an 'incurred losses' approach to 'expected credit losses'
- hedge accounting being more closely aligned to how the entity manages its risks
- new disclosures to reflect the new requirements.

AASB 9 is effective for councils for the 2018-19 financial year.

The Council will need to keep detailed working papers evidencing how it has complied with the new requirements in AASB 9, for example the key decisions and judgments made, its classification of financial assets, impairment calculations and support for additional disclosures.

OLG has released guidance on the financial reporting options councils must elect on transition to AASB 9.

AASB 15 'Revenue from Contracts with Customers'

AASB 15 introduces a new five-step model for recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 may impact the timing and amount of revenue recorded in councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 15 is effective for councils for the 2019-20 financial year.

To prepare for the changes, the Council will need to:

- review its current contracts with customers
- ensure contracts registers are complete
- · prepare for increased disclosures in the financial statements
- · assess whether existing systems can capture key information requirements of the new standard
- consider the impact on reporting to stakeholders regarding the Council's financial position and performance
- · ensure proper guidance is provided to the Audit, Risk and Improvement Committee.

The Council will need to keep detailed working papers evidencing it has complied with the requirements of AASB 15, such as working papers to support:

- key decisions and judgements made, for example whether contracts are in the scope of AASB 15, identification of performance obligations, determination and allocation of the transaction price, timing of revenue recognition
- financial statement disclosures.

OLG has released guidance on the financial reporting options councils must elect on transition to AASB 15. The guidance mandates:

- · that councils adopt the modified retrospective approach on transition
- the practical expedients councils must/must not apply on transition
- the ongoing options within AASB 15 that councils must/must not apply.

8



AASB 1058 'Income of Not-for-Profit Entities'

AASB 1058 provides guidance to help not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 may significantly impact the timing and amount of income recorded in councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

AASB 1058 is effective for councils for the 2019-20 financial year.

Councils will need to consider AASB 1058 in conjunction with AASB 15 to determine how to record transactions.

To determine the applicable standard, the Council will need to:

- determine the fair value of assets provided to the Council, especially if it is on non-commercial terms (at significantly less than fair value)
- review existing and new grant agreements
- assess whether existing systems can capture key information requirements of the new standard
- consider the impact on reporting to stakeholders regarding the Council's financial position and performance
- ensure proper guidance is provided to the Audit, Risk and Improvement Committee.

The Council will need to keep detailed working papers evidencing how it has complied with the requirements of AASB 1058, such as working papers to support:

- key decisions and judgements made, for example which standard each revenue stream should be recognised under, whether grant agreements have sufficiently specific performance obligations, the fair value of assets received on non-commercial terms, fair value of volunteer services
- financial statement disclosures.

OLG has released guidance on the financial reporting options councils must elect on transition to AASB 1058. The guidance mandates:

- · that councils adopt the modified retrospective approach on transition
- the practical expedients councils must/must not apply on transition
- the ongoing options within AASB 1058 that councils must/must not apply.

AASB 16 'Leases'

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right of use (ROU) asset, with a corresponding liability. AASB 16 will result in more assets and liabilities being recorded in the Statement of Financial Position and change the timing and pattern of expenses recorded in the Income Statement.

AASB 16 is effective for councils for the 2019-20 financial year.

To prepare for the changes, the Council will need to:

- review its current lease agreements
- ensure lease registers/databases are complete
- assess whether existing systems can capture key information requirements of the new standard
- consider the impact on reporting to stakeholders regarding the Council's financial position and performance
- · ensure proper guidance is provided to the Audit, Risk and Improvement Committee.

The Council will need to keep detailed working papers evidencing how it has complied with the requirements of AASB 16, such as working papers to support:

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- key decisions and judgements made, for example whether contracts contain a lease, its
 assessment of whether the Council is reasonably certain to exercise lease options, discount
 rate, fair value of peppercorn leases
- financial statement disclosures

OLG has released guidance on the financial reporting options councils must elect on transition to AASB 16. The guidance mandates:

- that councils adopt the modified retrospective approach on transition
- the practical expedients councils must/must not apply on transition
- the ongoing options within AASB 16 that councils must apply.

AASB 1059 'Service Concession Arrangements: Grantors'

AASB 1059 provides guidance for public sector entities (grantors) who enter into service concession arrangements with private sector operators for the delivery of public services.

An arrangement within the scope of AASB 1059 typically involves a private sector operator designing, constructing or upgrading assets used to provide public services, and operating and maintaining those assets for a specified period of time (e.g. roads, prisons, hospitals and energy suppliers). In return, the private sector operator is compensated by the public sector entity.

AASB 1059 may result in councils recognising more service concession assets (SCAs) and liabilities in their financial statements. SCA and liabilities of service concession arrangements will be recognised earlier (when construction of the asset commences, rather than at its completion).

AASB 1059 is effective for councils for the 2020–21 financial year. The AASB deferred the effective date of AASB 1059 from 1 January 2019 to 1 January 2020 to assist stakeholders with their implementation efforts.

To prepare for the changes, the Council will need to:

- assess the terms and conditions of existing arrangements with private sector operators to
 assess whether they fall within the scope of AASB 1059 and meet the criteria for recognition as
 a SCA or whether they are a leasing or outsourcing arrangement
- develop an implementation plan to apply AASB 1059 if an arrangement falls within the scope of AASB 1059
- consider the impact on reporting to stakeholders regarding the Council's financial position and performance
- · ensure proper guidance is provided to the Audit, Risk and Improvement Committee.

The Council will need to keep detailed working papers evidencing how it has complied with the requirements of AASB 1059, such as working papers to support:

- key decisions and judgements made, for example whether the arrangement falls within the scope of AASB 1059, the fair value of the SCA at the inception of the arrangement, determining the asset and service components of the arrangement, pattern of revenue recognition under the grant of a right to the operator model
- financial statement disclosures.



APPENDIX Two - RECENTLY TABLED AUDITOR-GENERAL'S REPORTS TO PARLIAMENT

Each year the Auditor-General produces Financial Audit, Performance Audit and Special Reports to Parliament. Recently tabled Reports which may be relevant to the Council include:

Name	Issued	Overview
Financial Audit		
Report on Local Government 2017	20 April 2018	This report focuses on the results of the financial statement audits of NSW councils in 2016–17. The report also provides guidance and includes recommendations to councils and the Office of Local Government, aimed at strengthening financial reporting, asset management and governance and internal controls.
Internal Controls and Governance	30 October 2018	This report focuses on the internal controls and governance of the 40 largest NSW state government agencies. However, the matters covered in this report are relevant to all public sector entities. The report provides insights into the effectiveness of controls and governance processes across the NSW public sector and the Auditor-General's recommendations to help agencies improve internal controls and governance, and in turn deliver their services more effectively. It also reviews how agencies have progressed previous recommendations.
Performance Audit		
Shared services in local government	21 June 2018	This report assesses how efficiently and effectively councils engage in shared service arrangements. We defined 'shared services' as two or more councils jointly managing activities to deliver services to communities or perform back-office functions.
		The audit surveyed all NSW local councils. Sixty-seven councils or 52 per cent of the 128 councils responded to the survey.
)	The report highlights the key findings from the audit, the recommended practices for efficient and effective shared services and the recommendations for the Office of Local Government.
Fraud controls in local councils	22 June 2018	This report provides a sector-wide snapshot of how local councils manage the risk of fraud. The audit surveyed all NSW local councils against a model of better practice in fraud control. Eighty-three or 65 per cent of the 128 councils responded to the survey.
		The report highlights the key findings from the audit, the observations for the sector and the recommendations for the Office of Local Government.
Special Reports		
Performance audit insights	29 June 2018	This report contains our analysis of the key findings and recommendations from 61 performance audits tabled in the NSW Parliament between July 2014

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Name	Issued	Overview
Key findings from 2014–2018		and June 2018, spanning varied areas of governmen activity.
		The report highlights common issues and themes emerging from our performance audit findings to help State and local government entities learn from, and respond to challenges faced by different parts of government. We will also use this report to help determine areas of unaddressed risk across all parts of government and to shape our future audit priorities

A full list of our tabled Reports is available on the Audit Office website.



Professional people with purpose

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR MISSION

To help parliament hold government accountable for its use of public resources.

OUR VALUES

Purpose - we have an impact, are accountable, and work as a team.

People - we trust and respect others and have a balanced approach to work.

Professionalism - we are recognised for our independence and integrity and the value we deliver.

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Risk & Audit Committee - Update on Audit beans Actions - August 2015 External Audit Management Letter - 2016/17 Interim Audit Management Letter

Action Summery:		
Status	Number of Actions	
Completed		36
Complete - Superceded*		2
In Progress		10
Not Started		1
Total		49

*Complete - Superseded Actions refer to an action that is being finalized as a result of a different action being distributes as more applicable ag a distribute in another world report, and or where the original proposed action is no longer ourselt and applicable.

Operatif Conservent:
Of the 36 Actions Completed - 35 some proviously expended as complete (or proviously superanded) and than been completed since the less update being the implementation of accounts payable and bealth chack.
Please note: The new reporting applies does not cannotify experi against any periodosity revised dates. This functionally will be revised.

Action Detail: Audit Insue	Audit Recommendation/s	Action	Action	Authorising Officer	Progress %	Status	Desc Date	Revised Date	Constant
ISS1: Accounts Payable	\$551.1. Appropriate segregation of duties should be designed and implemented over the procurements/payables function.	Code ISSULT	Update TechUne Access to segregate the system accesses and users in Procurement (set up and maintain vendor files) from Accounts Preside (make prements).	Mark Cleland	Complete (30)	Completed	3011(2017		Complete G2, 2018-15. NFR Completed as per status report Nevember 2018.
ISS1: Accounts Psyable	ISS1Z System access should be restricted based on appropriate segregation of duties.		Update TechThe Access to segregate the system accesses and users in Procurement (set up and maintain vendor files) from Acceunts Passible (make payments)	Mark Cloland	100	Completed	36/11/2017		Completed CO, 2018-15. NFR Completed as per status report November 2018.
ISS1. Accounts Payable	\$551.3. Audit reports or logs over vandor master file changes should be maintained and reviewed by an ufficer independent of the process.		and users in Procurement (set up and maletain vendor files) from Accounts Payable (make payments).	Michael Memo	100	Completed	36/11/2017		Complished G2, 2018-19. NFR Completed as per status report November 2018.
ISSE: Accounts Payable	\$551.4. Exidence of this review abould be maintained as a recard	1501.4.1	listened Auditor to conduct monthly reviews, and maintain a summary of results. Feridence of review	Fausto Sult	100	Complete - Superseded*	36/11/2017		Campigneto - Action Supervisited, The approach to norlevor has been reviewed and the propose "monthly" action has been supervised due to implementation of the internal audit program and health shocks. These exults and health checks periodically network procurement all Accounts Psychole functions Including the segaration of distinct to between Procurement for maintenance of Vertice (Supplier) marked data from the Accounts Psychole functions. The responsibility for master data maintenance sits with title Managar Procurement leave responsible for maintaining and yorkying new and amended master data to creat.
ISS1. Accounts Payable	ISS1.4 Evidence of this review should be maintained as a recent.	1581.42	Map Accounts Payable Business Process & Internal controls, document and implemented agreed process with Finance Manager	Fausto Sult	100	Completed	15/13/2017		Accounts Payable Process and Control Procedure adopted in December 2018 and Implemented Tokernel Audit report in Accounts Payable Health Check validated process in place.
19552 Havelew of user access sights	\$55.2.1 Management should regularly notions used access rights. The province should be facilities of the facilities and regular security of the province should be regular to the province and support adequate segregation of duties.	188211	Receive Lenteus Consulting report tells authorisation limits an accessors not the PerChPus system access. Implement agreed and required changes for segregation of delives and create illimits - Tech-Dee, Chris 21, and Authority systems.	Mark Clelend	160	Completed	30/10/2017		Complem: - Supervaded Q-Q 2015-19: Supersaded by NSW Acadi Management Later for Year Ended 30 Jan- 2817-(2516-17) and ST Management Letter for year ended 20 Jan-2016; (2517-15). Rafer to Riccardemendation 15718-17-8-11, and Aciden 1718-17- 8-11 and Microenemendation 15718-17-8-17, and Aciden 1718-17-8- 11-11 and Recommendation 15718-17-8-17-8-17-8-17-8-17-8-17-8-17-8
ISSS: Review of user access rights	SSS2.7 Valunagement should regularly review user access rights. The review should reclude validating but user access rights correspond with the current job responsibilities and support adequate segregation of duties.		precess and controls for On beauting and Off-boarding precession.		100	Completed	31/01/2018		Secones (June 2019) dest secriment. Complete GZ 291878. Emals are being progress when a change in the acting position - occupancy status. (Nominal change in the acting position - occupancy status. (Nominal call call calling). (Dath self littinger an email fithe nesson lupdated as demotion, change in employment status. higher fax, internal statusers, nave employment status. Nigher fax, internal statusers, nave employment positions. (Sastensfermination email trigger will be sent to TI (Coberoline) and the section of the section
ISSZ: Review of user access rights	3502 T: Management should regularly review some access rights. The vertice should include velideting that user access rights correspond with the current job responsibilities and support adequate segregation of duties.		compliance with delegations.	Fausto Sut	100	Completed	36/06/2018		System and security to be aligned to miles and responsibilities. Raviews angoing and quarterly review to be embedded in 2916119, September 2016 Quarter review completed by Governance & IT.
ISSS: Payroll	ISSO 1 Appropriate aspropation of deline should be designed and implemented over the HRP syroll function.		Spaine Chie 21 payroll staff's system access to limit to payment, and PCC staff access to maintaining employee record.	Kirklina Fortiberg	100	Completed	36/11/2017		Completed CI, 291019 The Payrell coordinates is for example no longer able to creat a employer in the system. Only IT is allowed to change iChal just access. Further, the Manager POC review the weekly facilit records.
ISSS: Payoul	389.2. System access should be restricted based on appropriate segregation of duties.	1883.2.1	Ripdate Chris 21 payred staffs system access to limit to payment, and POC staff access to maintaining employee record.	Mark Cioland	100	Completed	36/11/2017		Complained CM, 2018/19. Chris 21 lingue, systems have baser documents and replaced by Khalis in 2018/19. Payroll staff system across habean restricted and is being renimened as part of the ICMs Poul Implementation Flavors. [T also also implementing new processes and change certain

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Audit lasee	Audit Recommendationis	Action	Action	Authorising Officer	Progress %	Status	Distr Evelo	Revised Date	Convetent
ESSS: Payroll	\$553.3: Audit reports or logs over Payroll master file changes should be resistained and reviewed by an officer independent of the	(\$33,3,1	payment, and POC staff access to maintaining engloyee	Keluline Forsburg	100	Completed	36/11/2017		(Completed Q2, 2010-19, Validation Report by Internal Audit (800).
ISSS: Payroll	SS.1.4 Evidence of this review should be maintained as a record	1883.41	Pageon Played Coordinator to store Weekly Pay Audit Report records in Telm and is evidence review Payed Coordinate identifies and takes corrective action on provision of the pageon of the pageon of the provision of the pageon of the pageon of the provision action have been taken and appropriately reported you to title Poor Set May Plances.		186	Completed	36/11/2017		Completed CS, 2018-19. Validation Report by Internal Audit (BDO).
BSS: Payroll	19315. Attandance records should be leget to decument shother shall were at such. These records should be compared to leave recorded to resource all loove taken in recorded	1883.5.1	ages time, 1-bot is that representations and Managers in the context protein. The process of the context protein. The process and monitor compliance with the process and record one compliances for connective action. The year's Coordinator implement electronic time and alteredance records.		66	In Progress	36/06/2018	31/12/2019	A vendely leave planner is completed vendely by the Sozienes. Until Manager and to payed the vendelle that the control farm Corn has been received and possessed in Dinte. 1992 I in not a line, conditionally system, it will provide the description controls for leave to be many system. It will provide the description controls for leave to be made to the 2020 page of the anglementation in born August 2019 to December 40 and pagementation in born August 2019 to December 30.
RSA. Lack of complete contract register	ISSA 1: Management should implement a complete certifalised contract register for the whole Council		Sociament the Dissistant Process and Controls for the Councils Contracts Management. Pourament Manager to conduct Monthly reviews of Contracts of energing and now contracts, and upcoming ending I terminating contracts, and or renewats.	Frank Tombooks	36	lis Progress	31/12/2017	31/12/2019	Riviniand date from 31 December 2017 to 31 December 2019. Business Process and Controls were approved in December 2019 and confuse to be embedded. Processment are conducting monthly reviews of date and origing environments and obscuring the process of the control origing environments and obscurion. Embedding is ongoing for 2019/20.
RSS4: Lack of complete cuntract register	ISSS 1: Management should implement a complete certralised contract register for the vhole Council	1554.12	Process mapping in also currently bolog undertaken to ensure that all roles and responsibilities are clear. 81VD, a credentals checking agency, has also been engage to seall and certify VHSS and other compliance requirements for contractors. All the recommended information is included in the data collected and the fields provided in TechCine.		100	Completed	34122617		Corruptines G2, 2918-19, Validation Support by Internal Audit (800).
ISSE Lack of complete contract register	3854 1: Management should implement a complete centrelised contract register for the white Council	1584 (3	Engage BNG, a credentals checking agency, to each and cently VRSI and other compliance requirements for centractors. Review and occleres are non-compliance identified by UNIG within 2 weeks and for instructionally if tick assessment critical.	Michael Mamo	100	Completed	SWSSH		Completed Q2, 2915-19, Validation Report by Internal Audit (800).
BSA Lack of correlate contract register	ISSA 1: Management should implement a complete controllised contract register for the whole Council.	188414	Coellager Techtive to involute the following fields: whishin of the contraction, project underfation or goods and services to be provided: - date on which contract became effective and duration of the contract: - information to identify the layel, operational and financial responsibilities and calculations of the contracts	Frank Tombosis	50	In Progress	31/12/3017	36/66/2628	Revised data fees 31 December 2017 to 30 Apra 2019. Partially Completed Celestrians contracts anythic to being maintained via Excel Systemidities I Improved GIFA completes and combat Systemidities I Improved GIFA completes and combat systemy straight sended will be considered in line with the Technology Chee Project in 2015/20.
ISSS. Accounting procedures manual	SSS.1. An Accounting Procedures Manual should be developed for the Council	ISS5 1.1	Implement Project Procudent to develop business process and control harnework to Sevelop Business processes, document internal control, and tasks and embed processes into the new Bayalde Council.	Matheu Walter	90	In Progress	36/03/2018	31/12/2019	Revised date from 38/03/2018 to 31 December 2819. Partially Completed The Eucliness Processes and Controlla are available on Cosself's intravet and focus confisions to probed the business processes. The finance from will visit to considering excenting practices into this central reportality land documentation is being updated as part of the 2018/19 Visit End Prison or unfolking particles.
BSSC Accounting procedures manual	ISSS:2: Procedures should be designed to ensure that there are adequate internal controls including segregation of duties	1585.2.1	Implement Project Risocher to develop business process and controls fremovers to develop Business processes, document laternal controls, and train and embed processes list the new Baysist Council - for Accounting Business process & Internal controls ("Procedures.")		100	Completed	36/03/2016		Year End Finance worklyin parsers. Consisted CC, 2016-19. Vasidation Report by Internal Audit (8DO).
ESST: Investments	ISS7.1. Due is the size of the Council's investment portfolio as investment consulting should be established		Establish a Charler for Investment Committee by 15(2)18 Convene an Investment Committee by 31/3/18	Wather Walter	100	Complete - Superseded*	31/03/2018		Completed - Action Superseded. Council has adopted and updated investment Policy (June 2101) and vill not be establishing an Investment Committee. Councils Investments will be managed in accordance with the Investment Policy.
1857: Sweetments	SST 2. Set involvment strategies including the terms of involvments		Independent edition(#) Policy during the 2017/16 IPER Long Term Financial Studegy	Mathew Walker	180	lin Progress	31/12/2017		Rinivas diale form ST December 2017 to 30 June 2025. Council has adopted an investment Policy and a procusment process to in progress to appeint an independent investment advisor who will develop the strategy in conjunction with Council taking into accounts Council to only term financial plan.
ESS7: Investments	\$537.3: Review cash flow reseds of the Council to ensure that they	1597.3.1	Align LTFP with investment Strategy for 2017/16 IPBR	Mathew Yolker	100	Completed	20:00:5018	38/06/2019	Completed Q2, 2018-19. Validation Report by Internal Audit
ISST Investments	line up with investments made ISS7.4 Review investment performance		Monthly Investment Performance monitored and reported to Director Ohy Performance; and Hostilay Council report on Investments submitted by end of month fallowing.	Mathers Walker	100	Completed	36/06/2016	15/05/2018	INC. WER Completed as per status regort November 2518
ISS7: Investments	ISS7.5: Review and approve new investments	1887.5.1	Manager Finance - to review and sign off Investments Reconcillation and Investment report that investments have yest and / or compiled with all limits	Matthew Walker	100	Completed	36/06/2018	15/08/2018	NFR Completed as per status report November 2018

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Audit laser		Action Code	Action	Authorising Officer	Progress %	Status	Char Evete	Revised Date	Comment
\$550; Review of reconcileations	(\$550.1 * An officer independent of the preparer should review general lodger reconditistions every excells	9288.1.1	 Conclinator Financial Reporting prepare a Checkfoli and Morth End process to allocate and exection completeness and possibly of reconstitutions. Conordisator Financial Reporting counts and implement a TESM folder for retriess all Daily. Vitockly: (or other), and Mantilly Reconciliations 		100	in Progruss.		33/12/2618	Revised dates from 33(01)20(9) to 33(12)20(9) in 2019(19) Mandrig checklists and controls sheets were purplemented and mentiley reconcilenters capited to POF format once approved by Prances Coordinates. The files are centularly field or Prances in system drives. This practice continues to the embeddeed man and virtually larger of the property of the property of the property of the property parameter by manufacting date from the Port 2017(19) budget [Jameser 9-69 2019] and the final budget 2019() parameter of the property of the property of the property parameter of the property of the property of the property and opposite the property of the property of the property and specific and the property of the property of the property and strengths in property of the property of the property Months and process for 2015(20) reconciliations has commenced (44) and will confere to be reviewed on a smoothly basis, the substant 2015(20).
BSSR Review of reconciliestons	3698.2: Risconciling items should be addressed on a finely basin.		 Condinator Financial Reporting to prepare Monthly report to senders first of handly Reconciliation. Adjustments and Age of seneconcilied amounts. Schwider Monthly Montaings between Director City Parliameters. Manager Financies and Coordinator Financial Reporting to discuss Reconciliations. 		100	Completed	31/01/2018		Month and procedure implemented in 2018 to the Opplanthes 2018 of coveral. A cantact Sheet for proceedingtons has been implemented and Director of City. Performance and Finance Manager enorthy reviews implemented to embed and drive the completeness, quality jund limited or in the completeness. The completeness process of the completeness of the completeness. Shancking professing for decision making. Focus in 2018 the total Complete Complete
1850: Review of reconcillations	ISSA2: Reconciling terms alroadd be addressed on a timely basis.	1539(3.1	Claim approval and implement an update Delegations Wassast, to include Appare General Legate Allgebreens as a specific delegation 6 insize near delegations to Pinzence staff.	Mathew Vision	1900	Completed	5012(2017	30123618	Lembed, stroicess, qualific and continols. Comprised CU, 2019. Anction was supervaded, A decision was made by Manager Finance not is implement file action as there is no "literactiod celegation required for posting journals. Audit precementations "inconnecting learns should line addressed on talmely bessis" has been addressed by the implementation of Morth and procedures and journal approved good-see, implemented for 2019/115. No financial delegations required, journals are in accordance with Prances Pollow and Responsibilities. All journals are now subsect to a line properties credit by Conditions with Conditions in programs of the Manager Finances. Microling reduces in programs or with the Conditions with Conditions in programs or with the Conditions with Conditions in programs or without a control in 2019/115.
ISSS: Fixed Assets	3553.1. Depreciation should be charged on a monthly basis		Conditivetor Financial Accounting to update Finance Moreh End Chacidist and procedures to include morehly depreciation confined and Accountant - post Depreciation Journal morehly for 291775 on a monthly basis. 3. Conditivetor Accessed and Coordinator Financial Reporting Journal of Country and Coordinator Financial Reporting Journal of Country In the Coun		0	Not Started	30/06/2018	30120028	Bardeed Olde From 39 Janua 2016 to 31 December 2009, to 2016/17, 2517/18 and 2616/379 disposition has been peaked store for they year. Cyptom are being control in 2319/20 so part of the Technology/Der Project to redesign the Asset Management Flaved Asset Systems for implementation in June 2620.
\$550: Fixed Assets	3899 2: WIP should be capitalized as it is recurred.	1589.2.2	despeciation by 2011/1/19 Cooperation Transical Reporting - Capitaline 2017/18 WIP awarefully from Dec 31	Mathew Walker	100	Completed	30/06/2018		Completed - Actins Supervised CA, 2019/9. Action can article as complete with no further export. This action was replaced by the recommendations in the NSW August Management Later for year ended 30 June 2017. Rather to 2016/17 Financial Statements Time audit). Refer to Resembered and 67 of FARPAR STATE And Action 1617 FARPAR STATE AND AUGUST FINANCIAL STATE ACTION 1617 FARPAR STATE ACTION 1617
85511: Grante & Contributions	ISS11.1: A central grant and contribution should be maintained and reconciliations should be completed monthly and reviewed and approved by menagement	1	Records Grants and Contributions for Bayards Council for year ended 30 June 2017	Matthew Walker	100	Completed		38/63/2618	Completed Q2: 2918-19: Validation Report by Internal Audit (8DO).
BSS11. Oranto & Contributions	ISS11: A central guard and contribution should be maintained and inconciliations should be completed exonibly and reviewed and approved by management	18811.1. 2	Coordinator Rates & Reverse - Prepare Monthly Reconciliations of the Caratis and Contributions Coordinator Flancacial Reparating - Include Monthly Reconciliations of the Crants and Contributions in the Monthly End Obs	Matthew Walker	170	In Progress	36/06/2018	31/12/2619	Revised date from 30 June 2018 to 31 December 2019. The year and reconciliation for 2018/19 in being finalised as part of the financial report for 2019/19 and financial working papers. Monthly processes will confine
95511: Grante & Contributions	SSSTIT. A central grant and contribution should be maintained and reconciliations should be completed sweethly and reviewed and approved by management.	ISS11.1. 3	Co-orclastor Rietes & Revenue - Develop and implement a costs allow grants and contributions register shaving approvals and expallats. Project Manager Business Process and Controls - Facilitation and develop, concerned, and implement an end-to-end business process and controls for Grants Management.	Wather Vision	70	In Progress	31/12/3017	30120019	embedded (a) 2019/29 Revised date foot 310 December 2017 to 310 December 2019. Current focus is to fisalise for 2018/19 and to develop and antibed a recriffity process for 2018/20.
BSS11: Grants & Contributions	\$8911.1.A central grant and contribution should be maintained and inconciliations should be completed monthly and reviewed and approved by management.	4	Manager Finance - Review Monthly Creats Movement Register Nov-17, Dec 17, Jan-16, Feb-16, Mar-16, Apr-18, May-18, Jun-18, and monthly thereafter) Co-ordinate Financial Reporting - Included Finance Manager's Monthly unless of Detailed Grants Register in Finance Monthly Edit Checkler	Matthew Walker	76		36/06/2018		Risvisad date from 30 June 2016 to 31 December 2019. The 2017/16 Graphs register was finalized and rolled over to the 2018/19 financial year and the 2018/19 register is being finalized for the 2018/19 year and. For 2018/29 the monthly graphs process will be developed and ambedding in the month and process.
ESS14: Approval of Journals	ISS14.1: The accounting system should be readfied to ensure that journal entries cannot be made without being reviewed by an independent senior officer.	1 1 1 1 1 1	Update TechOne Access to restrict input of Journals to Accountients, Coordinators, and Manager Finance	Mark Cloland	100	Completed	36/11/2017	04/46/2018	embedding in the month end process. Completed as per stellar report. November 2955.

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Audit Issue	Audit Recommendation's	Action	Action	Anthorising Officer	Progress %	Status	Distr Evelo	Revised Date	Convenent
ISS14: Approval of Journals	ISS16.2: Evidence of this review should be captured and documented.	1	 Coordinator Financial Reporting civete and implement. Journal templators (including staff trained). Review Journals and verify the signatures approving are in accordance with the agreed Delegation. 	Mather Valve	100	Completed	36/11/2617	36/06/2018	Completed Q2, 3918-19: NFR Completed as per status report. November 2418.
ESS14: Approval of Journals	ISS18.1. The coview should also ensure that there is adequate suggesting documentation attached to the journal so that it is clear july the journal entry is being made.	1	Coordinator Financial Reporting overte and implement. Journal templates (including staff trained). Review Journals and verify the signatures approving are in accordance with the agreed Delegation.	Matthew Walker	100	Completed	36/11/2017	20:00:2018	Completed GZ 2918-15: NPR Completed as per status report. November 2918.
95514: Approval of Journals	ISS 14.4. All journal eniries made during the period 92/15 to 30/2/17 should be reviewed and approved by a more senior officer than the poster to ensure that they are appropriate.	1	Coordination Filtrancial Accumulating to controlled a nection of all journal orables made during the period 979°15 to 305°17 to previace such journal has been approved by a more senior officer than the poster to ensure that they are appropriate; and james (in journal or previace) of other propriates and agreed to journal 5 prepayed delegations.	Matthew Walker	100	Completed	31/12/2017	15/06/00/18	Complete C02, 3918-19. NPR Completed as per status report November 2018.
185516: Perview of accusals and provisions for hard and doubtful debts	ISSS 15 17 Management should review accounts and provisions outlineales regularly	1	Conditionate Materia and Brivensian - Conduct a monthly enview or beliefors and detectly actions for confirm anaugement Conditionate Themscale Reporting - Institute Monthly Reconditionation of the Debetro Conditionate Provisioning of Beef and Destablial Debets in the Month End Checklish and business procedures Project Managery Besimbors Provisions and Controls - Decument Business Process and Controls for Certiff Management and provisioning belief and Goodfal delivery.	Viethow Walker	100	Completed	31:01(2018	38/12/2018	Completed CD, 2919-19, Validation Report by Internal Audit (8DO).
ISS15: Review of accruaits and provisions for bad and doubtful debts	355 V5.1. Management should review accruels and provisions ordinates regularly	15815.1.	Manager Prisince - Review Aged Trial Balance and credit pranagement practices and the Provision for Doubthal Dobts Quantity (switchcool di Filiance Month End Provision Co-ordinator Financial Reporting - Included Finance Manager's Marthy swifer of Datalled Grants Ragister in Finance Month End Checklish	Methew Walker	100	Completed	36/06/2018	39/05/2018	Completio GC, 1918-19. Validation Report by Internal Audit (600).
BS16: Rental System (REST)	ISSS III. The Finance team should have access to the REST system.	15516.1.	Conscionator Financial Reporting - Riview Mantelly REST to PECHT Recorditation (Nov-17, Dec-17, Jen-18, Feb-18, Mar- 18, Apr-19, May-19, Jun-18, and recently flumeater? Co-ordinator Financial Reporting - Industed Property Manager's preparation of REST to TECHT Reconditation and Finance Co-ordinators review of the Reconditation and Project Manager Business Process and Control to the Reconditation of the REST to TECHT.	Samontha Organiart	100	Completed	36/11/2017	38/06/2019	Correlation QZ 2916/99 and validated by Internal Audit (800).
ISS18: Rental System (REST)	ISS18.2 Considerations should be given to integrating the REST system with the Fissence system.	15818.2.	Manager Property & Manager Finance - Develop business propies reserts for new system Manager Property - Develop scope and business case far WIT Streeting Com & Exec approved.	Samontho Urquhart	10	In Progress	36/06/2018	31/13/2019	Flavked date from 33 June 2018 to 31 December 2019. Business case for new Property Management System has been approved and vill be implemented in 2019.
BS18: Revital System (REST)	155518.3. A review should be conducted to ensure the Council to correctly billing the resolut it is estitled to	1	Co-ordinator Francial Reporting - Review Morthly REST to IECHT Recordation (Nov-17, Dev. 7), Jan-16, Feb. 19, Mar- 19, Apr. 95, May 19, Jan 18, and morthly floreselver to Co-ordinator Francial Reporting - Included Property Manager's preparation of \$1557 to TECHT Reconciliation and Francia Co-ordinators review of the Reconciliation and Francia Co-ordinators review of the Reconciliation of Project Manager Business Process and Controls - Document Ma Business Process and Controls for the Morthly	Matthew Walker	100	Completed	36/06/2018	31122018	Completed GZ, 2018-19. Validation Report by Internal Audit (BDC).
ESS19: Underground Fuel storage tanks at Bextey Deput	ISS19.1. A consultant should be employed to determine whether or fruit the tanks are leaking	5819.1.	Seconditation of the REST to TECH1. Engage consultant and review recommendations - implement as required.	Colin Clissold	100	Completed	36/03/2018	30/03/2018	Completed Q2, 2018-15, NFR Completed as per status report November 2018.
BSS19: Underground Fuel storage tanks at Berley Depot	ISS19.2. If the traits are leading the Council may have an obligation to report them to the EPA under the Contaminated Lands Act and take remodul action.	1	Engage consultant and review recommendations - implement as required		100	Completed		38/16/2017	Completed GZ, 2018-19: NER Completed as per status report. November 2019.
ISS19: Underground Fuel storage tanks at Beoley Depot	ISS19. 3: A review should be undertaken to determine if the underground tenks are still required by the Council	1519.3.1	Explanation provided to Audit	Colin Olimpid	100	Completed	26/19/2017	36/16/26/17	Complete Q2, 2518-15. No Further Report - Complete per status report Nov 2016.
	ISS 19.4. If the tanks are relatived, a system of internal controls should be designed, documented and implemented to ensure heal to accounted for correctly and any shortfalls are identified and actioned.		Manager Plant & Fixet - conduct review to ensure pumplisms with documented process Linternal Auditor review Manager Plant & Floots self essessment Manager Plant & Fixet - ensure corective actions are prepierwanted within 1 week of one compliance being identified.	Collin Clissold	100	Completed	31/12/2017	31/12/2017	Completed Q2, 2010-19. NFR Completed as per status report. November 2019.
ESS20: Stocktaking Processes	\$5520.1 Any variances identified during stocktakes should be	15920.1.	Stocktake variances analysed and resolved	Colin Clissold	100	Completed	36/16/2017	34425648	Completed G2, 2010-19, Validation by Internal Audit (EDC).
15520: Stocklaking Processes	Investigated and resolved to a timely resource ISSOUT. The draft Stores Management Manual should be rentered and updated to require more frequent stocklakes for items subject to theft or law.		TechCine System Inventory Management module implemented and snekly fuel checks in place.	Colin Clissold	100	Completed	36/16/2017	3171212018	Completed Q2, 2918-15. Validation by Internal Audit (BDO):
85520. Stocktaking Processes	FS20.3 Duplicated stock number should be removed to increase the cyceall efficiency of the stocktake.	15820.3.	Stocktake completed and adjustments processed in TechCine	Collin Clissold	100	Completed	36/16/2017	31/12/26/18	Completed G2, 2018-19. Validation by Internal Audit (BDO).

19/242251

Rink & Audit Committee - Lipdate on Audit Issues Actions - August 2019 External Audit Management Letter - 2016/17 Financial Statements Audit Management Letter

Action Summary:

Status

Number of Avisons

Conspired

Overall Comment:
Of the 41 Actions Completed - 14 serre previously reported as complete and 27 have been completed since the last update. Of the 16 remaining in progress actions 9 actions have revised due dates, primarily to 30 June 2020 due to dependency on system development and sevised business processes.

Action Detail:									
Audit lisue	Audit Recommendation's	Action Code	Action	Authorising Officer	Progress % Complete	Status	Due Date	Revised Date	Comment
1017-FIN-I-1; Issue 1; Journals	9617-FIN-R-1 ft internal controls over journals should be redesigned to include segregation of duties, improved record keeping, reteinms, and neatricited to appropriately quatries and trained shaft	9617-FIN-A- 1.1.1	Librarial controls implemented in TechnologyOne for 2018/19 including workflow approach and mandatory attachment of nonling appen, Appropriate according staff criside journals which are then signed off by their supervision.	Matthew Walker		Completed	31/07/2018		Completed G4, 2018/19. Codinals over positing of Journals in Technology/One were implemented in July 2018 including system based workflows to automate the escalables for enries and approval to tien miningers and to mandate the utilised ment of supporting Working Papers for all Journals.
1017-FIN-I-1: Issue 1, Journals	be implemented covering all tinancial systems in a 3 year cycle.	1607-FINA- 1.2.1	reprement a program of internal audits covering all financial systems in a 3 year cycle.	Fausto Sut	100	Completed	31/01/2019		Completed Q4, 2018/19. Internal Audit has developed a three year audit plan and has financial processes scheduled in fat those three posteds. It is IA's intention to audit all different financial business areas in the upcoming 3 year plan.
9517-FIN-I-2. Issue 2: Cash	signed off by management with reconciling items other than unpresented cheques or outstanding deposits should be conrected within one month and pefore finalisation of the year end bank reconciliation.	2.1.1	Implement and embed a Bank Reconclisation Business Process for bank reconclisations to be completed daily and a mainthy reconclisation to be reintened by the Coordinator Francial Services with a coelou over seconclisations being reported on by the Coordinator Francial Accounting and a monthly meeting with the Manager Finance.		100	Completed	31/12/2018		Completed OA; 2018/19. Dealy bank reconclitation and monthly reconciliation process implemented in 2018/19 with ongoing monthly reviews by Coordinator Frinancia Services and progress reported on monthly by the Coordinator Financial Accounting to the Manager Finance.
1617-FIN-I-2: Issue 2: Cash	1617-FIRIH-2.2: 2016/17 Restricted cash balances to be adopted by Council resolution.	2.2.1	Report 2016/17 Restricted Clash Ballances to Council for adoption in Feb. 19.	Matthew Walker		Completed	28/02/2019		Completed Qu. 2018/99. Council resolved the reserve (sestificies) balances as at the 30-June 2017 during the adoption of the 2016/17 Pinancial Statements at the Pilorium; 2019 Council Neeting. These balances form the basis of the opining balances for the 2017/18 Financial Statements.
9617-FN-1-2 Issue 3 Food Assets	16-17-Fik-R-3. I. A defailed myleve of floor lassels should be performed to re-establish a completile and accurate fixed inset register. This process should also indicate a quality review.	9517-FIN-A- 3.1	Develop and implement a program of invertany collection to write completeness of State salest legislatir which will be a rolling program prioritised over 5 years.	Clare Harley	50	in Progress	30,06/2019	30/06/2020	Rivinised date from 30 June 2019 to 50 June 2020. Proceedings for 2016/19 are: 1. Competer the verification and valuation for the Land improvements it Other Studiers asset classes. A professional valuation tem has been engaged to complete the work (April to read-August 2019) and work has commenced. Resides will be included in the 2018/19 Financial Statements. 2. Fedglaths asset survey (condition and data verification)— Request for granulation prepared. Note the completion of the program will take 5 years. Revised date reflects the completion of having established the program.
9617-Filhus 3: Insure 3: Fisced Availets	9517 FIN R-3.2: 2.A proper found anxiet register should be nethroduced which includes asset laigh numbers, asset locations, purchase and revaluation detain.	9617-FINA- 3.2.1	Wanagement comments: In 2017/16 and 2016/19 the Flore Asset Registers are being stretched in Excel. The schedule for the implementation of the Technology/Die Flored Asset Register is being determined based on the Technology/Die poet implementation action plant — April 2019 Dissign Commences, 2019/20 braid and data convenient. July 2020 System Lieu with potential for staged appermentation were 2019/20 of full functionality, July 2021 System fully implemented and emislededd. These dates are based on current project scope and the cased conversion timefable is dependent upon the design stage and timefames for system build.	statinew Walker	40	in Progress	3006-2020		The Consolidated Flood Asset Registers have been updated to include the physical data attributes and are being migrated from Boxel etia as Access Databases, which will been the basis of the migrates for the construction of 201920. The Technology Chemistry of 201920. The Technology Chemistry of the properties of the redesign Countrib Asset Management Systems, project and work order systems, and Fiside Asset Registers to be implemented by June 2020.

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Auditissus	Audit Recommendation/s	Action Code	Actios	Authorising Officer	Progress % Complete	Status	Due Date	Revised Date	Comment
1937 + TN-1-3, Issue 3, Fixed Assets	1631-Fin R. S. 3: S. The fixed ascet register should be reconciled and upstated modelly to the general ledger. Additions, disposals and depreciation should be updated in the FAR and general redger monthly.	3.3.1	implement monthly reconciliations of the Paiera Asset Register and upote monitive to the general elegal Update Apart to the general elegal Update Apart additions, disposals, and deparciation monthly. As per Recommendation 1617–784 (3.2) and Action 1617-784 (3.2) and Action 1617	Natifice Walker	16	In Progress	30%/2620		Striki's Year End Capitalisation process has commenced and will be adjusted for all end of the transcial year. Council has implemented interior improvements to the capitalisation process including a new database for enview and sign-off of all capital and work in propersy (WIP). The Technology/Cree phase has commenced to enview the asset management and fixed asset systems.
5637-F IN-L-3: Issue 3: Fixed Assets	1617-FH-R-3.4: The asset register should be necessitied to the Gifs system and any other Gouncil legister at least yearly.	1617-FIN-A- 3.4.1	Reconcile GIS to the Fund Asset Register inmusity: Refer Recommendation 1917-19N-8-3.2 and Asson 1617- FIN-3.2.1, the reconciliation of GIS and the Flood Asset Register data will convenience in 2018/19 and be finalised as part of the data convenience for the implementation of the Technology One Fixed Asset Register.	Jeremy Morgan	10	in Progress	30/06/2020		A review of GTS assets for stormwater assets is in progress and reconclisation between the GTS and Fixed Asset Register is in progress.
3517-FIN-4-3. Issue 3: Fixed Assets	19517-FN-R-3.5: Management should redesign the procedures an inhermal contribution over the fixed assets systems to ensure that there is: adequate segregation of duties, reporting, record iseeping and review and approval by management.	1817-PIN-A- 3.6.1	Design and implement internal controls over fixed assets to ensure adoption les egiepables of diudes, reporting, record keeping, and review and approval by management. For 2017/198 sign off and reviews have been implemented and operational procedures will be developed for 2016/198 significant procedures will be developed for 2016/198 pp. Refere Recommendation 616 7 FNN-0.4.2 and Action 617. FNN-0.4.2 in longer form this will form part of the Technology-One poet implementation action plan.	Mather Water	50	in Progress	30/06/2020		Asset accounting positions and processes have been implemented to 7010H3 in including a combined Fixed Asset Register in Excel supported by an Access Delabase. Asset adjustments have been our manager's review and approvate and all journals are approved vita work tow. The register is certifially confinded by Finance.
19(17-FIN-4-3: Issue 3: Fixed Assets	9617-FINALS.7: The Asset management internal controls and procedures should be documented in an Accounting Policy manual.	3.7.4	Asset Accounting Prolicies and procedures supported by fraining will be developed and implemented for 2018/19.	Clare Harley		Completed	30/06/2019		Asset Management policies and inferrin percedives have been developed and approved for 2016/19 and implemented for the 2016/19 Financial Statements. Council reli continues to develop systems and processes as part of the Technolog-Cine Project implementing the asset management system.
1617-FIN-1-3: Issue 3: Fixed Assets	5517-FIN-R-3-R: Staff should be trained in Asset Management and the correct procedures to be followed.	3.8.1	Conduct training in asset management policy, procedures and internal controls.			in Progress	30/95/2020		Staff have been trained in the inferim procedures for 2018/19. The state of the state of the state of the state of For 2019/20 further training will be provided as Council improves and embeds asset management policies and procedures and implements the Technology One asset management sostem.
1617-FIN-I-3; Insue 3; Flored Accrets	16517 Flix R.3.9: Monitor compliance with procedures.	3.9	Monitor compliance with Asset management policies and procedures.	Jeremy Morgan	×	in Progress	30/86/2019	3606/3030	Revision date from (0) June 2019 to 30 Jane 2020, The 2018/19 asset capitalisation process is being quality assisted to improve quality and compilation with Council's policies and procedures. For 2018/20 improvements will confirm to be implemented as Council moves towards implementation of the Technology Other Asset Management Systems which will include monitoring of compilance with procedures.
9617-FIR-Life Injury 4: Contaminated Land	be provided to the valuer when land valuation are being performed to be taken into account when determining fair value.	4.9.1	land which may be potentially contaminated	Clare Harley		Completed	30/06/2019		Council has developed an excel register of properties in the LSA and identified those owned by Council or where Council may have had an historical interest based on existing Council neounds. Property information includes details on lots and DPIySPs, zoning, land sile. A desidop neiwhor of information on the known status of these sites has been compiled from existing necroids held in mapping and other areas of Council to identify from or polentially contained to contain and of other areas of Council to identify income or polentially contained to contain and other areas of confingent liabilities or assets that Council may have.
9617-FIN-1-4 Insue 4: Contaminated Land	1957/FIH.R.4.* Details of contaminated rates should be provided to the value when land valuation are being performed to be taken into account when determining tair value.	1617-FINA 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	16	in Progress	30/06/2019	30/06/2020	Revised date from 30 June 2019 to 31 December 2020. Future land tair valuation processes will have depart to confaminated land information register. Impacts of confaminated land alkalation for 2019/19 are being reviewed as part of the year end process. System based recording will be considered in the Tachyological be located as a sound of the Policy Conference of the Tachyological below to the process of the Tachyological below to the Policy Conference of the Policy

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Audit Issue	Audit Recommendationis	Action Code	Action	Authorising Officer		Status	Due Date	Revised Date	Comment
1617-FW-1-4 Issue 4: Contaminated Land	1651/FitN-R-42. Management should monitor all conformation land sites to ensure that conformation is not spreading driftle and ensure that the remediation provision is sufficient.		As Council identifies potentially contaminated sites they will be assessed and investigated as required, and where necessary senediation plans and monitoring programs be implemented.	Clare Harley	Complete 68	In Progress	30/06/2019	36/06/2020	Revised dalle from 30 June 2019 to 30 June 2020. Council has completed a desktop review (refer Adhon, 1917 FINA-4.1, 1) where regulared termediation plans are implemented and ongoing resistening as required. Procedures are being developed livets Action 1617- FIN-4-4.1.2) and will be embedded in 2019/20.
9617 FIN-I-2 Issue 4: Contaminated Land	9677-Fife-R-4.2. Management should monitor all confaminated land siles to ensure that confamination is not spreading offsite and ensure that the yemeduation provision is sufficient.		Currently Council has identified 1 site (Kendall Street) as confamiliated which was accounted for in the 2015/17 Financial Statements. An updated site report has been received and remediation and monitoring will be based on this and updated in the 2017/10 Financial Statements.	Clare Harley	100	Completed	30/56/2019		Completed Git, 2018/19. Kendall Storet contamination was provided for in the 2016/17 Financial Statements.
5617-File-1-3: Issue 3: Fixed Assets	5617-FIN-R-3.5: Useful lives and impairment assessments should be carried out at least yearly.	5.1.1	Implement process for 2018/15 for annual assessment of useful lives and impairment of assets.			Completed	30/06/2019		The 2018/13 asset management process for year end has included revices of useful lives and an assessment of impairment of assets. Any adjustments whising will be processed in the asset year end sournets.
(9617-FIN-1-5: Insue 5: Unreconciled bonds and references liability (repeal trisiae)	1667-FIR-R-S-1" Buyeside council should recreate the register of bonds and reterilions.	5.1.4	Nonition and assess claims against the Bonds & Robrotinos legacy balances / negisters for the former City of Bodany Bay Council and annually review Council's position on thisse balances over fine as they age. Manuagement's response to the NSW Audil Office is as botteres. "Insue agreed, however given the age and the "asses 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 existince register could be recreated. Council ownerfly rolds \$2 million in an internal cash postnotion, against potential claims on these old bends. These monies reside to the former City of Botspir Bay Council's operations per 20th and have the potential to we want in claims for refunds or claims by Council against the point. They will continue to be assessed as claims are made and Council's position will be reviewed over time as thely age."			Complicited	30/03/2919		Conspired CM, 2018/19. Framer City of Betany Big / Council claims for bonds, and retendants will continue to be monitored and reviewed over time.
1617-FIN-1-6: Issue 6: Risk Management	9517-FIN-Ri-S.1: The Council should develop a risk register to record and manage risks with its latest management framework. Each risk should be rated based on rature. likelihood, consequence and assigned to a risk owner. The risk segister needs to be regularly updated and monitored.	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.				31/63/2019		Completed Q4, 2017/16. Council implemented the Strategic Risk Register in Council's Enterprise Risk Management (ERM) system pulse. Risks are reviewed, updated, recrifored, and reported on.
1617-FIN-L-7. Issue 7. Policies	19417-FN-R-Y. T. The Council should ensure its policies are up to date.	1617-FN-A-7.1.1	Council has in place a Policy Harmonisation Project to review and update all policies amons Council Policies have been identified and prioritized for review.	Paudio Sul		in Progress	30/16/2020		Council has continued to progress the review of all politices and harmonisation of politices for the whole of Bayesie Council. A Politic Harmonisation of politice is the whole of Bayesie Council. A Politic Harmonisation Project has been in progress since amalgamation (September 2016) and a scheduled for completion by 30 June 2020. Project 2020 policies were prioritised within the Policy Harmonisation Project Sargeled for completed by 30 June 2020 and the remaining 4 policies detailed by 30 June 2020 and the remaining 4 policies detailed in a 13 June 2019 and the remaining 4 policies detailed in a 14 June 2020 and the remaining 4 policies detailed in a 14 June 2019 and the remaining 4 policies detailed in a 4 June 2019 and the remaining 4 policies detailed in a 4 June 2019 and the remaining 4 policies detailed in a 4 June 2019 and the remaining 4 policies detailed in a 4 June 2019 and the remaining 4 policies detailed and and policy will be updated as part of the 2019/19 Financial Statements. The Contaminated Lance Policy is being drafted and will be considered in August 2019.
1617-FIN-1-8: Issue 8: No Ward & corruption policy	19573-FIRE-R-R-T. 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.	9617-FIN-A- 8.1.1	Implement a Frisad and Corruption Policy. This is a priority identified for completion in this year's work plan.	Fausto Sul	50	In Progress	30/06/2019	30/06/2020	Revised date from 50 Julie 2019 to 30 Julie 2000. The Pland & Corruption Policy was adopted June 2019 including a dark Shatey including responsibility and timeharnes. The policy will be implemented in 2019/20 with competion expected by 30 Julie 2020, with some actions carrying over to 2021/22.
1617-FIN-I-8: Issue 6: No fraud & corruption policy	19517-FN-R-8.1. The Council should create a flaud 8, corruption policy which outlines reporting and investigation processes. Staff should be trained in the correct procedures to be followed.	1617-FIN-A- 8-1-2	Since formation Council has undertaken an extensive program of barring and devaceness of hazed and consuption fost and reporting requirements which has been incorporated into Council's induction program for new planties. These principles have been embedded in Council's key policies such as Council's Procurement Policie.	Fausto Sul	100	Completed	30/06/2019		Fraud & Compition Policy adopted by Council on 12 June 2019, Visinshings by KCAC on corruption undertaken in 2018/93 and Public Interest Disdosure (Internal Reporting) undertaken in 2018/99, Code of Conduct refereber training by these to face and online methods scheduled for first quarter of 2019/20.

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Audit Issue	Audit Recommendation/s	Action Code	Actos	Authorising Officer	Progress % Complete	Status	Due Date	Revised Date	Comment
1617-FW-L9: Issue 9: Lease	1617-FIN-R-5.1: Management should ensure that tenants held all required insurances and it is regularly anothered. Rent should be reviewed on annual basis against lease conditions. The Finance team should neview all leases and ensure they are classified correctly between finance and operating leases.		Implement Reconciliation processes and controls over Insurances.	Samanha Urqunart	100	Completed	30/06/2019		The Property Business Unit has completed the insurance register and is now actively managing insurance expirites and renewals for all of Bayside Council tenants.
9617.FIN-LS Issue 9. Lease	SST/FIN-R-9: Natagement should ensure that feenants had all required insurances and its regularly monitored. All though by insurances and its regularly against lease conditions. The Finance from should review difficients and ensure they are classified convectly between finance and operating leases.	9.1.2	implement reconclishen processes and culticlis over profit.	Sansanha Urquhad		in Progress	30/96/2/01/9	(31m3/304)	Revised date from 30 June 2019 to 31 December 2019. Prior to the implementation of a new Property Management System the REST system has been updated to held the current resett A mortifally incomplation spreadsheet is sent to Prinance to provide the deboths and entit to be changed mortifally. The rental reconciliation process has commenced from August 2010, Process to be embedded in 2013(0). The REST system has now been reconciliation but to the REST system has now been reconciliation.
1617-FIN-I-9. Issue 9: Lease	5617-FN-R-5.1: Management should ensure that breamts held all required insurances and it is regularly monitored. Rent should be reviewed on annual basis against lease conditions. The Finance team should marker all leases and ensure they are classified correctly between finance and operating leases.		Implement process for annual review of rents against lease conditions.	Samanina Urquhari	100	Completed	30/06/2019		The REST system has now been reconciled back to the lease documentation. This will be managed by the Ploperty learn and reviewed upon calculation of cent reviews.
1617-FIN-H3: Issue 9: Lease	16/17-FIR-F-0: Management should emisse that henanth noted all required ansurances and it is regularly monitored. Renf should be reviewed on annual basis against lease conditions. The Finance team should renew all leades and ensure they are classified correctly between finance and operating leases.	9.1.4	behineen finance and operating leases and accounted for convocity in Council's Armual Financial Statements and accounting records.	Sanaréta Urquhait		Completed	30/06/2019		Cooked has reviewed the leases for 2017/18 ("marcial" Statements and classified them in accordance with the Austriasan Accounting Standards. The review for 2018/19 will be congreted by 30 June 2019.
1617-FIN-I-10: Issue 10: Receivables	1617-FIN-R-10.1: The Council should implement systems that support good debtor management.	1617-FIN-A- 10.1.1	Review Councirs Recovery Policy for 2016/19 in line with the Office of Local Government guideline.	Matthew Walker	100	Completed	30/06/2019		Council has adopted a Recovery Policy for 2016/19 in line with the Office of Local Government guideline.
1517-FIN+10: Issue 10: Receivables	1617-FIN-R-10.1: The Council should implement systems that support good diotor management.	5617-FIN-A- 10.1.2	Implement improved Receivable monthly reconcitation controls including review of aged debtors.	Matthew Walker	100	Completed	30/96/2019		Monthly reconcilation processes and review of aged debtors has been expertmented.
1617-FIN-I-10. Insue 10: Receivables	9617-PW-R-10.1. The Council should implement systems that support good debtor management.	1017-FIN-A- 10.1.3	Decommission Authority (Bayside East system) and transitioning to a single system — Pathway for all poccivables management.	Mather Walker	100	Completed	30/06/2019		Council has hansifuned from Authority to Pathways as Councils enterprise recepting system for receivables management. Susiness Units confine to use point or sale systems and service specific applications which is then bankes and bank reconciled via the Technology One Bank reconcilation.
1617-FIN-I-10: Issue 10: Receivables	1617-FiN-R-10.1: The Council should implement systems that support good debtor management.	1617-FIN-A-	Develop Deblor Statements in Pathway.	Matthew Walker	100	Completed	30/06/2019		Debtor Statements have been developed in Pathway and implemented from April 2019.
9617 Fiv. 11. Insuer 11. Internal Audit	[9617-FIN-11.5] Establish an effective and resourced internal Audit function.	99,5,4	audit function. Management's response to the Management Letter: The first meeting of the appointed Raix A Audit Committee value field on 14 May 2017 and his been meeting and separate basis. The Council has an internal audit function with an establishment of 1 FIE. The 2019/200 bugglaby process is examining suggistenerlary funding for the function. An independent review of the effectiveness of the Risk & Audit Committee was undertaken in Nieuember 2016 and the Committee is addressing recommendations waide for improvement.*			Completed	34/03/2019		Completed QA, 2014/19. Council has an elemant audit function supported by reporting to the Risk and Audit Correstitie. The first meeting of the appointed Risk & Audit Correstitie. The first meeting of the appointed Risk & Audit Correstities was nest 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 upith in resourcing to support the internal audit function has been recommended for 2018/20 and the internal audit plain has been tased on HTE plus functing for suitable providers to undertake 12 audits pius routine reviews. An independent review of the effectiveness of the Risk & Audit Correstities was ungestalen in November 2019 and the Correstities is addressing recommendations made for improvement.
9617-PW11 lissue 11 Infernal Audit	19613-FNR-R-112: Implement an internal audit program covering all financial systems in a 3 year cycle.	9617-PIN-A- 11.2.1	Implement an Internal leads program to cover all financial systems over a 3 year cycle.	Pausto Sut	100	Congreled	21/03/2019		Compileria GA, 2018/95. An informal audit program was been developed and inproduct to the Riss, and Audit Committee (December 2018) and cantinues to be reinversed based on emerging rises and audit priorities. A professional services firm, BDO, have been engaged to support the provision of internal audit functions. A revised 3 year plan (with a definition year one plan) was adopted by the Riss & Audit Committee all its May 2019 meeting.

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Audit Issue	Audit Recommendation's	Action Code	Action	Authorising Officer		Status	Due Date	Revised Date	Comment
1617-FW-1-12 Issue 12: Long Service Leave Provision and invitation of Chris21 (repeat lates)	a system which supports its engiovment conditions.	12.1	imprement (Chris as the Employee Management System to accurately manage emprises pay and entitlements replacing the two former league Chris 21 Systems and implement internal controls including segregation of duties, restrictions on access, approval processes and audit trails yeter 25/917 Interna Audit Management Letter (tissue 3 and Actions 2.1.1, 3.2.1, 3.3.1, 3.4.1, and 3.5.1).			Completed	30/06/2019		Ichris implemented in June 2016 and embedded in 2018/20. Connections to legacy system Employee Leave Estilement salances have been adjusted for in the 2018/19 accounts.
9617-19N-1-12 Insue 13: Procurement Process (Roads to Recovery)	9617-FIN-R-13.* Informal conflipts over procurement housit be redesigned to ensure there is, appropriate segregation of distiles, adequate record keeping, an etective review process, and purchase orders are appreved for all purchases before the incurring of the expense. Counts should implement a "Ne PIO. No Play" policy, document business process and internal controls, ensure staff are trained, and monitor compliance.	1517-FIN-A- 13.1.1	Council continues to embed Procurement Proces and Procedures and embed the "No PO No Pay" policy.	Frank Tambosks	100	Completed	31/03/2019		Comparised GA, 2014/19. Historic issues, now addressed through Council's Procurement Policies and procedures. Council implemented at No PO, NO Pay Policy and continues to be embedded.
16577-FIN-1-16 Insuer 14: Lack of support to labour cost changed fo capital projects (Roads to Recovery)	96517 Fig.R. 1.4.5.* The Council should entablish a finesheeth system to ensure that all time spend on projects in accounted for end that sufficient records are kept to acquit expenditure.	9617.FNN.A. 94.0.1	Council's review of Technologyches and IChris will review opklants for allocation of time to projects.	Jeremy Morgan	64	in Progress	30/06/25/19	30-06/2020	Revised date from 50 June 2019 to 30 June 2009. A project for templarament the Technologicy Dec Asset Management system and Floord Avaid Registers is country for progress. The Design phase is unnining Agel 2019 to June 2019 and concurrently Council to conducting a peal insperimentation review of the Christ-System. Options for improving time management and aboutation of contist to projects with the investigated, the basid phase will continence with an expected implementation date by 30 June 2009. For 2019/20 Technologic One time recording system has been implemented for capitalisation of salaries for capital projects.
1617-FIN-I-15: Registry of Bonds	9517-FtN-R-15.1: The central registry should include residential bonds	1617-FIN-A- 15.1.1	Council's residential properties are managed by a real estate agency and Council will request a risting of all residential property bonds, to be recorded in the EDRAIS.	Samantha Urquhari	100	Congleted	20/04/2019		Completed QA, 2018/19. Council has established a listing of all residential bonds and recorded in Council's EDRANS. This will continue to be updated for changes in rental agreements and bonds.
1617-FIN-I-15: Registry of Bonds	1617-Fith-R-15.2: A review should be performed to ensure that all required bonds have been received.	1617-FIN-A- 15.2_1	Council will review real estate listing of all residential property bands for to ensure all required bonds are held by the real estate agents (in trust).	Samantha Urquhart	100	Completed	30/84/2019		Completed Q4, 2019/19. Council's Property business unit has reviewed and reconciled the licting of residential bonds provided by the roal estate agents to the REST property management system.
7617-F/N-1-16: Issue 16: Nissing Employee Records (2016/17)	3517-FIN-R-15.1 All engages records should be maintained in their TRIM folder.	1617-FIR-A- 16.11	Neview Employee Files and identity any missing records. Council will work with the audit office to resolve any anomalities in regards to the records not provided and review the records keeping process to ensure employee records are being correctly maintained.	Kristina Forsberg	100	Completed	30/06/2019		Reviews were completed and new processes imprevented in 2018/19 for maintaining records.
1617-FIN-1-17: Issue 17: Restered days off provision (repeat issue)	3517-FIN-R-17.1: Management should ensure that its (Employee & Payroll) systems are fit for purpose, keep adequate records and can support its business ments.	1617-FIN-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 Forsiberg	100	Completed	30/64/2019	36/36/30/19	RDC Balances have been reviewed, adjustments approved by the Executive, and corrected in Council's lChris System.
1617-FINI-18: Issue 18: Sick Leave Provision (repeat issue)	36172-PRE-R-16.5: Management should ensure that its systems are fit for purpose, keep adequate records and can support its business needs	1617-FIN-A- 16.1.1	Sick Leave Provisions will be corrected in 2018/19 and (Chris System updated. Courset continues to apply the former grandfather clauses to preserved paid sick (sove in a manner consistent with the industry wide breatment and therefore does not apply a probability calculation.	Kristina Forsterg	100	Completes	30/04/2019	36/06/2019	Employee records were corrected in 2016/19 and IChins System apdated as part of the reconcillation of employee leave tallances.
9617-FINI-119: Issue 19: Pensioner granted rebate on multiple properties	1617-FIN-R-19.1: The Council should review the Centrelink confirmation reports for any displicates on pensioners with multiple properties prior to granting the concessions and subsequently processing the reclaims.	1617-FIN-A. 19. E.1	Council will review the Cestirelink continuation reports for any duplicates on pensioners with multiple properties prior to granting the concessions and subsequently processing the rebates claims.	Matthew Walker	100	Completed	36/06/2019		Reviews have been conducted and are ongoing.
1617-FIN-LQD: Issue 20: Management and review of user access to systems	1617-Fits R-20.1: We recommend that management should, develop and implement a formal process over user access creation (full includes formal acquest and relevant approval), modification and descrivation.	1617-FINIA 20.1.1	Namual review processes to be implemented by 30 April 2019 moving to automated processes by 30 June 2020.	Mark Cleland	100	Completed	30/04/2019		Completer Q4, 2018/19. Manual review conducted by IT Applications learn and quarterly review process implemented as an intesim measure until system access reviews are completed as part of the system implementation and reviews.
9617-FIN-LOX tenue 25: Management and review of user access to systems	5617-FIN-R-20.1: We recommend that reanagement should; develop and implement a formal process over user access creation (that includes formal impacs) and relevant approxist, modification and deactivation.	5617 FIN-A 20.1.2	Bayelde will put in place automated measures to limit the lisk of unauthorised system access.	Mark Cleland	100	Completed	36/06/2020		All user access requests are logged via the IT Service Deak and approved by Managers.

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Auditissue	Audit Recommendation is	Action Code	Actos	Authorising Officer	Progress % Complete	Status	Due Date	Revised Date	Comment
access to systems	1517-FIN-R-20.1: We recommend that management should develop and implement a formal process over user access credition (that includes formal request and elevant approval), modification and deactivation.	20.1.3	access task efficient, repeatable and auditable as well as driving cooperation from the various Business stakeholders to help define roles and responsibilities within Boystde's Core Applications.	Mark Cieland	100	Completed	30/06/2020		All requests for new or changed user access are managed through the IT Service Desits and all requests are required to be logged. Evidence of approvals are maintained.
access to systems	user ID has an assigned owner, all active users on the systems are cutured reappores, user access assigned does not exceed the job function. all supergraded of other content of the second demonstrated and removed, they cover high privilege user activities in systems, then ap performed cogularly and timely, evidence of teniew be referred for audit trail.	1617-FIN-A- 20-2.1	implement thankal review processes and quarterly monitoring and reporting of exceptions of inappropriate access and access not appropriate to roles and responsibilities.	Mark Cleand		Completes	30/04/2019		Manuar review process implemented with Managers required to review and sign off on levels of access.
access to systems	1917 F-IN-R-202 Establishin a formal user access evenew process. Reviews should ensure that each user ID has an assigned owner, all active users on the systems are outned employees, user access assignand does not exceed the job function, all segregation of distles issues are identified and semowed, they cover high privilege user activities in systems, they are performed regularly and timely, endence of review be retained for audit trail justices.	20.2.2	Counted with implement quarterly reporting that identifices exceptions: (if my) that are either not valid emispropes, or have rightly red appropriate to their role – Pathway System Access Review.	Mark Cleiand		Completed	31/12/2019		Reviews imprenented and controls over all future changes to user access.
access to systems	1617 FPH-R-202 : Establish a tornal user access review process. Reviews should ensure that each user (I) has an assigned owner, all active users or the systems are ounter engagese, user access assigned does not exceed the job function, all segregation of divides issues are identified and removed, they cover tight privilege user activities in systems, they are performed equilarly and timely, evidence of review be refained for audit trail.	9617-FIN-A- 20-2-3	Council will implement quarterly reporting that identifies exceptions (if any) that are either not valid empleyees, or have rights not appropriate to their site. Technology; One System Access Review for the implemented with spoaked Technology; One Profiles, selen the Technology; One Projecti).	Mark Cicland		in Progress	30/06/2020		Technology Onle project will review used and system access appropriate to roles with consideration of whereas controls, interim manual reviews have been implemented.
	1617-IPH-R-21 1. Update the password policy to include guidatine on the password parameters as recommended by the audit office, apply the appropriate password parameters in the with the password policy and generally accepted practice password requirements. Document any deviations from the policy and have them approved by management.	21.1.1	that endorsed, as well as developing controls and logs to ensure best practices are neet or mitigated.	Mark Cleland		Completed	30/06/2019		Pleasuroud standurds have been implemented and new IT Policy adopted and IT Standards endorsed. Active Directory has been implemented.
5617-FINALET: Issue 21: Password and Security Configurations	1997/FHN-RC12: Ensure "Test accounts are only solution or Test/As systems: If its use is required on law business system, it should be assigned to an intelledus/apposition for overential pand accountability. Test accounts on two business system should be disabled once testing is completed.	1617-FINA. 21.2.1	Controls over "Test" accounts will be included in IT policies, and procedures to restrictions on setup on TestifuAh system and restrict and monifor testing in live systems.	Mark Cleland	100	Completed	30/06/2019		The IT Policy and IT Standards have been reported to the IMT Steering Committee and Executive for adoptions and endownement of the standards. Controls over feet accounts have been implemented with all user change requests being logged through the IT Service Denk and approved by Natraggement and the IT Change Advisory Board (CARI) as required.
	16517-FIN-R-21.3: Elisave the use of "generic" accounts are intend and moniforced. An ownersposition should be assigned responsibility for the use and actions performed on such account.	21.3.1	Update IT Standards and potoces and procedures to memoritor and time the use of generic and system administration accounts. Use of generic accounts with documented and approved by the IT Change Advisory Board (CAB) substantiated by the business requirement, and a risk assessment and sign off or exponsible manager and stakenolders. IET Selecting will receive updates and resolve exceptions. (Combined management response hom 2016/17 blandagement Letter Defence 1617-FIN-R-21 3 and IT Management Letter 2017/18 ref 17316/TR-R-2.	Mark Closerd		Completed	30/06/2019	31/07/2015	The IT Policy and IT Standards have been reported to hee IMT Stereing Connelline and Executive the adoptions and endosenvent of the standards. Coethors over generic accounts have been implemented with all user change requests being logged through the IT Service Desk and approved by Nanagement and the IT Change Advisory Board (CAB) as required.
system change management policies and documentation	1987 F-IN-R-22 1: Management should develop and formalise the change management plock 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.	9637-FIN-A- 22.1.1	Establish is Change trainework and documented policy and process including Change worldow through the Service Desk Management systems.	Mark Cloland	100	Completed	30/06/2019		The IT Change Advisory Board (CAB) has been impremented and all program and security changes requests are approved by the CAB. The IMT approves significant intelligence which are also endorsed the IT CAB. Project Managers remain responsible for insanaging the implementation and UAT and constitution of changes to be promitted to the production environment. The IT CAB monitors and reviews the completion of the data migration sign-offs and oversight of the change management.

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Audit issue	Audit Recommendation is	Action Code	Actos	Authorising Officer	Progress % Complete	Status	Due Date	Revised Date	Convert
Technology Migration to Decision Ledger Migration to Decisions	19517-PICR-R2 3.1 Management should review the current systems imprementation processes and ensure that formal procedures on managing risks and insides and proper documentation on migration process & yesting results exist for hitser-data migrations.		Data imparation controls and procedures will be developed for use on fisher system impreentations. If will put in place business processes and internal controls including change heart and security standards had will ensure that the processes and internal supported by secoulars and small, standards had will ensure that the processes and small place in the controls of the processes and small place in the controls. Significant milestiones such as go given will be endorsed by start and second significant milestiones, such as go View, will be endorsed by stiff. The IT change Advisory Board will senior which endorse the impreendance before the production of the processes of the proce			Completed	300402019		An IT Change Advisory Board (CAB) take Seen implemental and all change restuests are work flowed through the IT Service Deak or where appropriate managed by the project manager and signed off by the IT CAB, critical influestones and layer decisions are signed of by relevant managers and the IT CAB and IMT Steering Corandities as required.
1617-FINI-34: Issue 34: Lack of IT Security Policies and Governance	9617-FIN-R-0.1.1 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.	24.1.1	IT Security and standards will be endorsed and implemented in 2019, with a compliance monitoring framework.	Mark Cleland	100	Completed	30/06/2019		IT Security standards have been endorsed by the IMT Strening Committee and Executive.
1617-FIN-I-24: Issue 24: Lack of IT Security Policies and Governance	1617-FIN-R-24.2: The implementation of such	1617 FW.A. 24.2.1	Conduct organisational awareness to ensure the standards are clearly understood, and include into the Council employee induction program.	Mark Cleland	100	Completed	20/06/2019		Employee induction includes awareness of IT security. Ongoing communications occur on relevant IT security concerns as required.
19513-TIN-1-28 Issue 25- Monitoring of legtl provilege users	is STERIOR-25.5. Note agreement should remain the use of generic accounts in imministration and monitoring, impairing generic accounts be assigned an owner to responsibility for the use and actions of the account; perform a risk absessment to oberlify the account; perform a risk absessment to oberlify the account; perform a risk absessment to oberlify the account; perform a risk and to be logged in the Actine Direction, CHRIST 21, hardway and FortiCher popularies, additional supplementary processors to ensure adequate and regular reviewing of the principled user activities based on the risk profile; coguiar reviews of these audit logs should be interested and appropriately fillers defined to record changes to critical data, administration and security functions; and documentation of these account administration of the account to ensure the accountability and traceability of the activates.	25.1.1 (25.1.1	investigable the use of audit loga and reporting to show use of high privilege activities in Cole IT systems and Applications of high privilege activities in Cole IT systems and Applications and Systems and Applications and Implications and Imp		50	in Progress	30/06/26/19	30062000	Revisited date from 30 June 2019 to 30 June 2010. Manual review process of high privilege across his been implemented. Further investigations will be considered as part of the Technology/One project into audit balls with casesderators on system seasonly.

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Audit Issue	Audit Recommendation/s	Action Code	Actos	Authorising Officer		Status	Due Date	Revised Date	Comment
TERT-PIN-LOS, Insue 26. Lack of backup policy and disaster recovery plans for systems	1951/FIN-R-26.1: Council should develop and approve its backup policy for its systems, including journ of imited 61 backup frequency, medium, bout not limited 61 backup frequency, medium, backup logs maintenance; refertion period, and backup recovery feeting, sharappement should update the disaster recovery plan, and ensure it is tested and updated regularly to ensure it's effectiveness.	1617-FW-A- 26.1.1	Develop and implement a Backup Policy and process. Lessons learnt from the Disades Recovery Test in February 218 were captured and discussed, however at the time of this audit these were not incorporated into the Disades Recovery Plan due to the planned imagination to GovIDC, which was originally scheduled for completion in October 2014, eval June 2019. If have since updated the interest magnitude in Crobber 2014, eval June 2019. If have since updated the insception and provided the interest planning that Incorporate relevant information into the update for the IT Disaster Recovery Plan to be approved by the INT Sterring. Combined Action from 2016/17 Management Letter Issue 51 Lack of backup policy and disaster recovery plans for systems and 2017/18 Nanagement Letter Issue 12 Insaster themselve. Itsia (INIE).	Mark Croserd	Complete 70	in Progress	30/06/2019		Revised dalle from 30. June 2019 to 30 September 2019. Transition to GovDC in progress with a GovDC's alternate replica site (shasher recovery site) established with realing to be completed by end of Geptember 2019.
1617-FIN-L27: Issue 27: Chrica password security questions and resel notifications	1961.7-FN-R-2.7.1 Management should ensure that "Parasword security questions and answers should be restricted to imited if salar personnel and users should be notified fir any changes to their passwords, preterably by a system generated email.	1617-FIN-A- 27.1.1		Mark Creiand	100	Completes	31/03/2019		Coreparted C45, 2019/19: Restrictions have been put in place to limit access to IT Start. Chica (Authority) is planned and progressing for secommissioning by June 20th 2019 Therefore it is secided that no action with be taken as there is no cost benefit for the short period required.

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Risk & Audit Committee - Update on Audit Issues Actions - August 2019 External Audit Management Letter - Interim IT Audit - 2017/18

Action Summary: Status

Number of Actions

Completed Complete - Superseded* Complete - Supersector

In Progress

4
Not Yet Started:

7
Tetal

7
Tomplete - Superseded Actions refer to an action that is being finalised as a result of a different action being identified as more applicable eg a duplicate in another audit report, and or where the original proposed action is no longer current and applicable.

18 Actions of the 22 Planned Actions listed have been completed with 4 In Progress. The 4 In Progress all have updated Revised Dates relating to updates to align to the TechnologyOne Project (30 June 2020) where actions are now aligned to that project, timeframes for the IChris Post

Action Detail:									
Audit Issue	Audit Recommendation/s	Action Code	Action	Authorising Officer	Progress % Complete	Statue	Due Date	Revised Date	Comment
1718-IT-12: Issue 2: Monitoring of privileged user activities	1758-17-R-2.1: Management should perform a risk assessment to identify the critical business processes, data, administrative functions and security functions that need to be logged. Develop supplementary processes 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 seview processes should be mornibared.	1718-IT- 2.1.1	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 risk assessments.	Mark Cleland	100	Completed	\$1/07/2019		A process to review the use of high privilege activities in Core Systems and Applications has been implemented and ongoing neview will be conducted based on risk assessments. Reviews of Technology/One and Plathway are in progress and a review of I-Chris will be completed in 2019/20. Chaspe control process have also been implemented requiring requests to be logged via the IT Support Desk System and approved the IT Change Advisory Board which will ensure organize restrictions on access and use of high privilege activities. As part of the audit program these files will be available for internal audit review. The frequency will be determined by the internal audit function based on their audit risk assessment.
1718-IT-3-2 Issue 2: Monitoring of privileged user activities	1718-17-R-27: Management should perform a risk assessment to identify the critical business processes, data, administrative functions and security functions that need to be logged. Develop supplementary processes to ensure adequate and regular reviewing of these privileged user activities by appropriate staff. Regular reviews of privileged user subjects should be instated and appropriate litters defined to record changes to critical data, administration and security function. These security configurations and the review processes should be monotioned.		Implement controls for High User Access for Change Requests to be logged and appreced by the CAB or in the event of an emergency approved by the Director and subsequently reported to the IT Change Advisory Board (CAB). Records of changes are to be retained (evidenced), reviewed and reported back to the CAB when required.	Mark Cletand	100	Completed	31/07/2019		System and process implemented for Change Requests for High User Across to be submitted via the IT Support Oresk System which logs the request which is referred to the IT Change Advisory Board (CAB) for approval. If urgent, they can be approved by the Director and reported back to the CAB. Change Requests are recorded in the IT Support Desk System and approvals are recorded in the IT CAB Minutes.
171817-1-1 fasce 1: User Access Reviews	1798-IT-R-11: Maragement establish a formal periodic user access review process.	1.1.1	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). Moritioning of all users (remployees and non-employees including service contractors) to review and maintain rights appropriate to their rice will include: - Users will be identified by callegory and for non- permanent employee users, then user expiry defins 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 correproximated.	Mark Clekand	100	Completed	31/07/2019		INIT approved the IT Policy and endorsed the IT Standards which have been published to the infrance. Active Directory was implemented as the Bayside Council system access control, refer IT Security Standards and a review process has been explemented to monitor Active Directory access. Controls include: Explay dates have been entered for non-permanent staff and contractors / consultants. Evidence of reviews are being maintained in Council's content management system. All new user requests are logged through the IT Support Desk and require Manager approvats. Requirements for segregation of duties are being maintained by manager / system without approvals of access rights and reviews of user access authorised by managers.
1718-IT-I-1: Issue E: User Access Reviews	1718-17-8-12. 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 lassigned owner.	1718-IT-A- 1-2-1	Implement controls over the approval for the use of generic accounts to be approved by the IT Change Advisory Board and reported to the BiT Steening Committee to resolve exceptions.	Mark Cletand	100	Completed	31/07/2019		Controls over the approval and use of generic accounts have been implemented, with all requests for new users logged though the IT Support Devit and any new generic accounts will be approved by the IT Change Advisory Board (CAB).

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Audit Issue	Audit Recommendation/s	Action Code	Action	Authorising Officer	Progress % Complete	Status	Due Date	Revised Date	Comment
1718-IT-1-2: Issue 2: Monitoring of privileged user activities	1756-IT-R-2.1: Management should perform a risk assessment to identify the critical business processes, data, administrative functions and security functions that need to be bugged. Develop supplementary processes to ensure adequate and regular reviewing of these privileged user activities by appropriate staff. Regular seviews of privileged used togs 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 important.	1718-IT-A- 2.1.2	Conduct a risk assessment of privileged user access to identify the critical business processes, data, administrative functions and security functions that need to be logged and implement procedures and processes to report to the IT Change Advisory Board. Implement internal control through the CAR, audit and access logs or system generated reports to provide before and after reconciliations.	Mark Cleland	100	Completed	31/07/2019		Change controls have been implemented which require all Change Requests to be logged via the IT Support I field Depk System. This logs and mentions requests, actions and outcomes. Air IT Change Advisory Board (CAB) has been implemented which approves changes to business process, data, administrative functions, and security functions. If have conducted a review of privileged user access and initiated processes for sign-off with the business, which will be reported back to the IT CAB.
1718-IT-3-3: Issue 3: Data reignation - ICH is and Pathway	1716-17-R-3.1: Data migration projects cannot be tetricipactively addinised. However, they should be considered more bloadly across the council to enhance IT project management practices and governance.	17:8-17-A- 3-1-1	Implement Business Process and Conbols over system changes including an IT Change Advisory thead (AdI) and Security Standards that ensures data regulation activities are defined and supported by resources and training (eq. Discovisions and eq. of guidens) and ensure father implementations include sign off of data migration. Significant milestones such as go-live will be endansed by IT CAB will review and endonse implementation plants for system program changes and I or data migration. Data cleanaing and comectors of data, user acceptance testing (IANT), and access to the production environment will be managed by the project manager. The IT CAB will review the sign-off and completion of data migration and oversight segregation of duties, ensure UAT and promotion of changes to production for both program changes and data migration.	Mark Cleland	100	Completed	30/06/2019		The IT Change Advisory Board (CAB) has been implemented and all program and security changes requests are approved by the CAB. The INIT approves significant milestones which are also endorsed the IT CAB. Project Managers remain responsible for managing the implementation and UAT and coordination of changes to be promoted to the production environment. The IT CAB monitors and reviews the completion of the data migration sign-offs and oversight of the change management, Minutes of the IT CAB and IMT record decisions.
1716-IT-I-3: Isane 3: Data migration - IChris and Pathway	1719-17-R-3.1: Data migration projects cannot be selectively addressed; however, they should be considered more broadly across the council to enhance IT project management practices and governance.	1718-IT-A- 3.1.2	Conduct a Post Implementation Review on the schris- project. Outcomes and recommendations will be reported to the IMT Steering Committee.	Mark Cletand	50	In Progress	30/05/2019	30/09/2019	Revised Date from 39 June 2019 to 30 September 2019. A Post Inglementation Review of I-Chris system has been conducted by an independent consultant and the draft report is being reviewed and outcomes and recommendations will be reported to the IMT Steering Committee.
1718-IT-1-4: Issue 4: Password and security controls	1718-IT-R-4.1: Management should implement password and security controls to. Establish a password policy considering the criticality of general and super user accounts; apply appropriate password parameters for the application and supporting inhalancular, document any configuration deviations and have them approved by management, ensure "Test" accounts are only set up on Test? (3A systems and / or managed in the environments and be disabled once testing complete; Ensure the use of generic accounts are limited and monitored, and a responsible owner is identified.	4.1.1	Implement password controls in both Active Directory and Pathway and document the Policy for managing the Active Directory to include the reliationship and business process with Pathway password administration maintenance.	Mark Cletand	100	Completed	31/07/2019		Active Directory has been implemented as the password control for Pathway and processes for managing active directory have been implemented.
1716-17-14: Issue 4: Password and security controls	1758-T.R.4.1: Management should implement password and security controls to. Establish a password policy considering the criticality of general and super user accounts, apply appropriate password parameters for the application and susporting infrastructure, document any configuration deviations and have them approved by management, ensure "feet" accounts are nowly set up on Test? (2A systems and / or managed in live environments and be disabled once feeting complete; Ensure the use of generic accounts are instead and monitored, and a responsible owner is identified.	4.1.2	Include Password Protocols in the new IT Standard.		100	Completed	31/07/2019		Password profocols have been included in the new IT Standard endursed by the IMT Steering Committee.

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Audit Issue	Audit Recommendation/s	Action Code	Action	Authorising Officer	Progress % Complete	Status	Due Dane	Revised Date	Comment
1718-IT-1-4: Issue 4: Password and security controls	1758-IT.R-4.1: Management should implement password and security controls is. Establish a password policy considering the criticality of general and super user accounts, apply appropriate password pasameters for the application and supporting infrastructure, document any configeration deviations and have them approved by management, ensure "Test" accounts are only set up on Test / GA systems and / or managed in the environments and be disabled once testing complete; Ensure the use of generic accounts are limited and monitored, and a responsible owner is identified.	4.1.3	The Pathway Administration Account passwords will be enhanced to comply with security policy.	Mark Cleland	100	Completed	31/07/2019		Pathway Administration Account passwords have been changed to comply with password security standards.
1716-11-1-4: hause 4: Password and security controls	\$758-17-84-4: Management should implement password and security controls to: Establish a password policy considering the criticality of general and super-user accounts, apply appropriate password parameters for the application and supporting infrastructure, colcument any configuration deviations and have them approved by management; ensure "feet accounts are not) set up on Test / QA systems and / or managed in two environments and be disabled once besting complete; tirouve the use of generic accounts are limited and monitored, and a responsible owner is identified.	4.1.4	Text I GA accounts in the Live Environment will require approval of the IT Change Advisory Board (CAB).	Mark Cloband	100	Completed	31/07/2019		All accounts including any Test / GA Account requests in the live environment are logged with the IT Support Desk and approved by the IT Change Advancy Board (CAB).
1718-IT-I-5: Issue 5: IT Governance and Policies	1718-IT.R-5.1: Formalise information policy and standards governing IT operational requirements and ensure all staff are informed and aware of these requirements.	5,1.1	Document the IT Security Policy and supporting IT Standards supported by an ongoing staff awareness program.	Mark Cletand	100	Completed	30/07/2019		IT Policy has been adopted and the IT Standards endonsed by INIT. Staff awareness and training is ongoing through induction, use of the IT Support Desk System which requires staff to log all issues, and ongoing communication on key policies as legulated.
1718-IT-I-5: Issue 5: IT Governance and Policies	1718-IT-R-5.2: Formulate a risk register and continuously monitor and update the risks identified.	1718-IT-A- 5.2.1	Review and update Council's Risk Register for IT Risks.	Mark Cleband	100	Completed	31/07/2019		Council's Risk Register for IT risks has been reviewed and updated.
1718-IT-1-6: Issue 6: Access to Payment files	17:bs.IT.R.6.1: Access to Payment files should be lestificed and controls in place including, encrypt or password protect files; ensure segregation of duties in EFT file handling; and restrict system administration access to IT to maintain segregation of duties.	8.1.1	Implement interim steps to mitigate issue to create a segregation of duties between who can load the file and who can authorise the file. The delegated users will be independent of the Payroll function or access to the Council's banking system to approve EFT Payment files.	Mark Cletand	100	Completed	30/06/2019		Council's banking system requires two authorisers. The segregation of duties is evidenced by the payout officer generating the payment file is not an authorised banking officer and has no access to Council's online banking system.
1718-IT-1-6: Issue 6: Access to Payment files	1718-IT-R-6.1: Access to Payment files should be restricted and controls in place including, encrypt or password protect files; ensure segregation of duties in EFT file handling; and restrict system administration access to IT to maintain segregation of duties.	1718-IT-A- 6.1.2	Kithis Post Implementation Review to investigate functionality for lChris to generate a payment file on a secure Server location where only delegated users have access.	Mark Cletand	100	Completed	30/06/2019		The IChris system has been set up to generate the file to secure server location with restricted access.
1716-17-1-8: Issue 8: Communication of new user passwords	1768-IT-R-8.1: Serelikine user access details should only be communicated to the account holder, the username and passened should not be communicated in the same email and if possible investigate and implement controls that will prevent the sharing of these in clear text, and the user account and password should be activated on the employees joining date.	8.1.1	Profuscols for issue of passwords have been implemented and passwords are only provided to the new users? and or account holider and nobody else, and are communicated expansibly from username details. This is reinforced at regular IT Staff All-Fands meetings and included in the IT Policy / Standards. User Account Passwords are activated upon joining or as approved by an Executive Officer.	Mark Cletand	100	Completed	\$1/03/2019		Protocols for issue of passwords have been implemented and neinforcold across the IT seam.
Access Management	1756.IT.R-9.1. Streamline the user access and termination process by establishing policies and procedures and making these operational, strengthen IT Systems Security and all systems authenticating though the rebeats should be synchronised, and for applications not authenticated to the network user accounts should be clearned for terminating users.	9.1.1	The Policy and Procedures for creating and managing employer user accounts has been updated and will be serviewed to etissize these procedures are operational.	Mark Cleland	100	Completed	30/06/2019		Procedures for managing new employee user accounts have been implemented with all requests and approvals logged through IT Service Deak.
17184T-I-10: Issue 10: Batch processing into TechOne	1718-17-R-10.1: Batch Processing Fries into Technologic Des should not be changed directly in the state file but should be made in the source system, and data files should be designed for direct upload. Where manual changes are necessary the changes should be leviewed by an independent person to ensure data irregary.	10.1.1	Civica (Authority Files) - as system is currently being decommissioned (by 30 June 2019) and as an interin arrangement the Manager Finance is making necessary changes to account number information only, not financial values. This process is supported by reconciliations to the trial balance.	Mark Cleland	100	Completed	30/06/2019		Chica has been decommissioned (June 2019) and reconcitations completed for the 2018/19 financial year end.

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Audit Issue	Audit Recommendation/s	Action Code	Action	Authorising Officer	Progress % Complete	Status	Due Date	Revised Date	Comment
1716.1710: Issue 10. Batch processing into TechOne	1758.17.8-10.1: Batch Processing Files into TechnologyOne should not be changed directly in the data file but should be made in the source system, and data files should be designed for direct upload. Where manual changes are necessary the changes should be reviewed by an independent person to ensure data integrity.	1718-IT-A- 10.1.1.2	IChris: The Manager Finance has controlled the interface from IChris to Technology/One and made corrections to the files where the postings could not be recognised into Technology/One Ledgers (due to incorrect codes). This is a familed practice due to the limited timeframes to regenerate the file. A process 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 conections which are then to be reported to the Director City Performance. A monthly reconciliation process will be implemented to service posting issues between IChris and Technology/One. A process to document and have a second inviewer will be implemented into the Payroll Weekly Reconditation process which will be reviewed by the Manager POC and Manager Finance.	Matthew Waker	60	In Progress	30/08/2019	31/12/2019	Revised date from 90 June 2016 to 31 December 2018. Controls were implemented with the Manager Finance controlling the interface between IChris to Technology/One. The Manager Finance does not consect any financial data, and limits corrections, however as per the original response where the file cannot be corrected at source fives are either connected and documented during imposts or journals posted within Technology/One with working togers attached. The weekly and mentify reconciliation processes are being improved as part of the 2016/19 quality review and will be embedded in 2019/20.
1718-IT-I-10: Issue 10: Batch processing into TechOne	1758.T.R.1.0.1: Batch Processing Files into TechnologyOne should not be changed directly in the data file but should be made in the source system, and data files should be designed for direct upload. Where manual charges are necessary the changes should be neviewed by an independent person to ensure data integrity.	1718 IT A- 10.1.3	IChris - Investigate options to develop a process where Batch Files load only directly to a secured Server Location that staff representatives do not have access to, from which the TechnologyCine system will auto load the batch file, and where all corrections are made directly in the source system and flow through to the financial ledgers.	Mark Cletand	50	In Progress	30/06/2019		Revised date from 30 June 2019 to 30 June 2020. The first part of this action has been implemented with 10 hris batch files generating to a secure location on the server. The second part of this action has not yet been actioned as it requires updates to Technology Gre to automatically load the batch file. This work will be completed as part of the Technology Che Project to be completed by 30 June 2020.
1718-IT-I-11: Issue 11: Incident management procedure	1718-IT-R-11.1: Formalise a governing incident management procedure including processes for assessing and responding to security incidents.	11.1.1	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.				30/07/2019		Council have adopted an IT Policy and endorsed IT Standards including incident management. All incidents are logged through the IT Service Desk and corrective actions documented. Incidents are reviewed for lineds and emerging issues and follow up actions investigated where appropriate.
1718-IT-I-12: Issue 12: Disaster Rocovery Plan	1319.11.R-12,1: Management should review the results for any learnings/efficiencies to be galined for incorporation into subsequent recovery procedures. The Disaster Recovery Plan should then be updated.	1718-IT-A- 12.1.1	Lessons learnt from the Disaster Recovery Test (Feb. 18) were capitated and discussed, however at the time of this audit these were not encoporated into the Disaster Recovery Plan due to the planned migration to GovDC, which was originally softestuded for completion an October 2019 and now June 2019. If have since updated the lessons learnt and will encoprate into the relevant Disaster Recovery Plan to be approved by the BMT Steering Committee.	Mark Cleland	75	In Progress	30/08/2019	30/09/2019	Revised date from 30 August 2019 to 30 September 2019, Transition to SovDC in progress with a GovDCs alternate replica site (disaster recovery ste) established with testing to be completed by end of September 2019.

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Item No 5.3

Subject Final HR Management Audit Report
Report by Natasha Balderston, Internal Auditor

File SF19/210

Summary

BDO completed an audit on Council's HR Management processes and identified significant areas of weaknesses. As a result, Council's HR Management processes were deemed High risk. Ten issues were identified and a corresponding twenty-nine recommendations were made to assist the business area in closing the existing gaps.

The Manager People & Organisation Culture's (POC) has accepted all the findings and recommendations.

Officer Recommendation

That the Risk & Audit Committee receives and notes the final HR Management audit report.

Background

As part of Bayside Council's Strategic Internal Audit Plan for the year ending 30 June 2019, a risk based audit has been undertaken on the processes and controls in place for People & Organisation Culture's (POC's) key compliance and operational activities for the period.

The objective of this internal audit was to determine and assess the design and effectiveness of key controls surrounding the recruitment, employee lifecycle, termination and performance management (at a high level) processes to ensure that Council's key policies, procedures, and controls were being complied with and were considered best practice.

The scope of the internal audit covered the key areas of recruitment, employee lifecycle, and termination including:

- 1 Strategic recruitment;
- 2 Policies, procedures, and legislation;
- 3 Recruitment approval and planning;
- 4 Advertising and candidate sourcing;
- 5 Selection processes;
- 6 Pre-employment screening;
- 7 Employee lifecycle including promotions and position changes;
- 8 Performance management; and
- 9 Termination processes.

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Interviews were held with seven Managers across the directorates, including the Major Projects Director, to obtain their understanding of Council's recruitment processes. Based on the information gathered from the interviews conducted, Internal Audit formed the opinion that Managers had, at least, a basic understanding of Council's recruitment policy and processes.

The audit scope did not include the management of leave. A specific leave review was being undertaken by the Coordinator Payroll and an external consultant with the purpose of:

- Recalculating all leave balances for an employee from the time they commenced with Council.
- Reconciling any differences.
- Making adjustments in the leave balances for staff affected.
- Informing staff of changes to their leave balances.

Due to the comprehensive nature of this review, Internal Audit did not include it in this audit's scope. The audit identified one very high risk findings, one high risk findings, five medium risk findings, and three low risk findings, with twenty-nine recommendations. The table below provides a summary of the very high and high risks findings:

REF.	FOCUS AREA	FINDINGS	RATING
2.1	Recruitment	Poor procedures for screening and selection of applicants.	Very High
2.2	Policies & Procedures	Policies and procedures are not detailed enough to mitigate risks.	High
2.3	Termination Processes	The off-boarding process requires review.	Medium
2.4	Training	Regular training not provided for all Selection Committee members.	Medium
2.5	On - Boarding	Inconsistent practices applied.	Medium
2.6	Strategy	No recruitment and talent management strategy.	Medium
2.7	Records Management	Records management requires improvement.	Medium

Details of all findings and recommendations can be found in the attached report. As a result, the overall audit has been rated as High Risk.

The POC Manager has accepted all the findings and the recommendations and has put together an action plan to implement the recommendations. All findings, recommendations and management action plans will be inputted into Pulse for tracking and follow up.

Attachments

Bayside Internal Audit of Recruitment, Employee Lifecycle Termination Process - July 2019 - Final $\underline{\mathbb{J}}$

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Bayside Council ("Bayside")

Internal Audit of Recruitment, Employee Lifecycle and Termination Processes July 2019





DISTRIBUTION

Party	Title
Meredith Wallace	General Manager, Bayside
Kristina Forsberg	Manager People and Organisational Culture, Bayside
Ben Thompson	Coordinator Workplace Relations Safety and Wellness, Bayside
Fausto Sut	Manager Governance & Risk, Bayside
Natasha Balderston	Internal Auditor, Bayside
Sean Pascoe	Partner, BDO
Jenine Waters	Partner, 800
Steve Kent	Associate Director, BDO

Bayside Council - Internal Audit of Recruitment, Employee Lifecycle and Termination Processes - July 2019

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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 overall 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 20 May 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 on, 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 Recruitment, Employee Lifecycle and Termination Processes - July 2019

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Executive Summary

EXECUTIVE SUMMARY

1.1 Background

As part of Bayside Council's ("Bayside") Strategic Internal Audit Plan for the year ending 30 June 2019, BDO has undertaken a risk-based approach to the internal audit of the processes and controls in place surrounding Bayside's key Human Resources (HR) compliance and operational activities for the period 1 April 2018 to 31 March 2019.

The Terms of Reference for the internal audit are included in a formal document signed off by Council dated May 2019.

1.2 Objective and scope

The objective of this internal audit was to determine and assess the design and effectiveness of key controls surrounding the recruitment, employee lifecycle, termination and performance management (at a high level) processes to ensure that Bayside's key policies, procedures, and controls were being complied with and were considered best practices.

The scope of the internal audit covered the key areas of recruitment, employee lifecycle, and termination including:

- Strategic recruitment;
- · Policies, procedures, and legislation;
- · Recruitment approval and planning;
- · Advertising and candidate sourcing;
- Selection processes;
- Pre-employment screening;
- · Employee lifecycle including promotions and position changes;
- Performance management; and

Termination processes.

1.3 Approach

The following approach was undertaken for the internal audit:

- Kick off meeting with Bayside's key stakeholders to introduce the BDO team, confirm the scope for the internal audit and other BDO requirements.
- Review of relevant policies, procedures, processes, and other guidelines (refer Appendix B);
- · Interviewing key and relevant Bayside personnel (refer Appendix A);
- Undertaking a walkthrough of key processes and control practices, covering the scoping elements;
- Development of a customised internal audit program and executing this program, including detailed testing of the application of procedures and internal controls to determine compliance levels with relevant Bayside policies, procedures, and guidelines;
- Assessing the design and effectiveness of the internal control environment after taking into consideration any key risks disclosed during the conduct of the internal audit;
- Evaluating the findings in accordance with the Bayside's risk rating scale (refer Appendix C);
- Conducting an exit meeting with management following completion of the fieldwork to discuss:
 - Our findings;
 - Recommendations for control improvements in relation to those findings;
 - Management's response to our findings and recommendations.

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Executive Summary

1.4 Summary of key findings

Positive Findings

Throughout the internal audit, we observed that the People and Organisational Culture (POC) team are a cohesive, responsive and well-established team. The POC Business Partners, in particular, have a strong relationship with their directorates and ensure they continuously collaborate with the relevant managers to complete their HR objectives. In addition, they appear to have the relevant experience and capabilities necessary to enhance the performance of the POC team.

Bayside has recently recognised the need to implement an 'E-Recruit' system, prior to the internal audit occurring. This demonstrates that Bayside understands the need for a more effective and efficient process for recruitment and on-boarding in order to move towards Best Practice.

Bayside has also recognised the need to implement a Recruitment and Talent Management strategy to support the Bayside Workforce plan, prior to the internal audit occurring. There have been some action plans created, however at the time of the internal audit these had not been implemented.

Areas for improvement

In addition to the above, we did identify a number of areas for improvement that are set out in the table below. We have rated these in accordance with the risk rating scale outlined in Appendix C.

In summary, we identified 1 very high risk finding, 1 high risk finding, 5 medium risk findings, and 3 low risk findings, with 30 recommendations. The key findings are summarised in the Table below.

REF.	FOCUS AREA	FINDINGS	RATING
2.1	Recruitment	Poor procedures for screening and selection of applicants	Very High
2.2	Policies and Procedures	Policies and procedures are not detailed enough to mitigate risks	High
2.3	Termination Processes	The off-boarding process requires review	Medium
2.4	Training	Regular training not provided for all Selection Committee members.	Medium
2.5	On - Boarding	Inconsistent practices applied.	Medium
2.6	Strategy	No recruitment and talent management strategy.	Medium
2.7	Records management	Records management requires improvement	Medium

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

1.5 Overall risk rating

The overall control environment design and effectiveness rating for this internal audit is HIGH based on the rating criteria as outlined in the 'Overall Rating Table' in Appendix C. This is reflective of the nature of the findings raised, which included significant risk items regarding the selection and

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Executive Summary

appointment processes, which are the most critical areas of the recruitment process.

There are no concerns regarding the competencies of staff and the recommendations in our report broadly represent the control strengths and process improvement opportunities.

1.6 Acknowledgment

We appreciate all the support that key People and Culture team were able to give to this internal audit, in their already busy roles and priorities. We wish to thank all Bayside staff involved to enable this internal audit to be undertaken and completed.

1.7 Clearance

The content of this report has been discussed and agreed with Kristina Forsberg, Manager People and Organisational Culture.

Yours sincerely

Sean Pascoe

Partner, Risk Advisory

Sean Pascoe



Executive Summary

2. DETAILED FINDINGS

2.1. Poor procedures for Screening and Selection of applicants

Risk Rating:

Very High

Observation

Based on our interviews with the People and Culture team, all appointments with Bayside are subject to a pre-employment medical assessment, a minimum of two reference checks, a Working with Children Check (for any child-related employment positions) and a Criminal Check where deemed necessary.

- 1. Within our sample testing of 17 new starters, 14 of which required a reference check according to the current Bayside Recruitment procedures, we noted the following:
 - · Evidence of a reference check being completed could not be provided for 1 sample;
 - 1 sample did not have their reference check dated;
 - 1 reference check did not occur prior to the employee's start date;
- 2. Reference checks are not completed for casual employees.
- There is an assumption that qualifications and previous background checks for Executive staff are completed by the recruitment agency, without any supporting evidence.
 In addition, for some Executive roles, qualification checks could not be provided;
 - The qualification checks for 2 sample employees at a Manager level who were recruited through an agency could not be provided by Bayside.
 - The qualification checks for 1 of the sample employees at a manager level, could not be provided by Bayside.
- 4. It was noted that there were no documented controls either within the recruitment policy or within the People and Culture teams surrounding the Pre-Employment Check process. Instead, Bayside currently relies on the People and Culture interpretation and memory as to what pre-employment check is required for each role.
- 5. It was noted that within one of the sample appointments, the Medical pre-employment was not completed until after the employee had commenced. Based on the Medical report, the Doctor indicated that the employee was suitable for the role provided the employee was supervised. Following the report, it was decided to terminate the employee's contract of employment. It was noted that the Medical had been completed post the employee commencing and not prior as per the recruitment procedures.

Bayside Council - Internal Audit of Recruitment, Employee Lifecycle and Termination Processes - July 2019

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Risks/Implications

There is a risk that:

- Unsultable candidates may be selected due to Inadequate due diligence, including People and Culture not completing full criminal, qualification checks and reference checks; and
- An employee who completes a pre-employment medical and then Bayside not following the advice of the Medical report is Bayside could be open to legal ramifications
 of possible discrimination.

Recommendations

- R1 We recommend that Bayside implement a detailed procedure that establishes and documents the process for pre-employment screening checks and due diligence checks within the recruitment policy. This will ensure that Bayside is able to manage the risk of hiring unsuitable employees.
- R2 We recommend that the Bayside's People and Culture team review the recent ICAC report on "Strengthening Employment Screening Practices in the NSW Public Sector" published in February 2018 to ensure correct due diligence is implemented to reduce the risk of not collecting the appropriate information.

This report provides a range of techniques and tools that the People and Culture Team can refer to and/or apply to improve the quality of the employment screening checks.

Ref	Management Response	Name & Role of Responsible Officer	Target Completion Date
R1	Partly agree: Bayside Council undertake reference checks for Casual employees, it is part of the recruitment process, and there is no indication of how many casual employees' reference checks were missing. Further, please note that in particular circumstances the medical checks has been done post-employment, however in those circumstances the contract of employment explicitly states that the employment is conditional on satisfactory employment medical checks. Please note that this practise has now ceased.	Coordinator, Work Place Relations	December 2019
	Bayside Council will develop and implement a detailed pre-employment screening procedure and check list which is relevant to Bayside but based on the ICAC report "Strengthening		

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Employment Screening Practices in the NSW Public Sector".

The Workplace Relations Team will review the ICAC Report Strengthening Employment

R2 Screening Practices in the NSW Public Sector* and develop a screening procedure which is relevant to Bayside based on the aforementioned report.

All POC Partner and Officers

December 2019

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Executive Summary

2.2. Policies and Procedures are not detailed enough to mitigate risks

Risk Rating:

High

Observation

As part of our review of all recruitment based policies and procedures, we identified that Bayside has established the following Policies and Procedures in relation to the HR activities listed within the scope of this internal audit:

- · Transition Recruitment Policy (Sep 2017);
- Exiting Employee Policy & Procedure (Jul 2018);
- · Probation Policy (Nov 2018); and
- Employee Performance Planning and Review Policy (Oct 2017).

To assess the policies and procedures, we studied these policies and procedures and held interviews with each one of the People and Culture Business Partners. We observed the following:

- The Transition Recruitment Policy is very minimalist. The policy details what employees can expect with the amalgamation, however, it does not provide details for the
 complete recruitment requirements, post the amalgamation. This may be problematic when ensuring compliance and alignment across multiple directorates within
 Bayside.
- There is no clearly defined process to ensure when an employee transfers from a different department, the employee's access to various systems and information is altered. This could result in employees' having access to information and/or systems that are not relevant to their current roles.
- 3. There is no clearly defined process or policy for the recruitment of Senior Leaders into Bayside.

As part of our interviews with the various People Managers of Bayside, it was found that there was an informal policy of asking Compliance Officers (Rangers) on regular occasions to deliver important correspondence to employees of Bayside.

Risks/implications

There is a risk that:

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Executive Summary

- Bayside may not have a consistent approach to certain areas of the process, as there is no procedure to verify consistency and compliance;
- The risk of not including the Senior Leaders recruitment into Bayside's recruitment policy could result in non-compliance with key controls and possible unsuitable bires:
- There is a risk when an employee transfers from one team to another team in a different department at Bayside that they could have access to sensitive and personal
 data not relevant to their role;
- . There is a risk of a privacy breach in relation to the Compliance Officers (Rangers) delivering personal information to an employee of Bayside; and
- Unnecessary expenditure and the potential for fraudulent activity which may result from a lack of consistency in documenting the selection and decision-making policy and process.

Recommendations

- R3 The current policies in place for Recruitment, On-Boarding and Exiting employees should be rewritten to include the full recruitment process and procedures, in order to be compliant with legislation and regulations, give-guidance on decision-making and streamline the internal processes. Employees and Managers should be able to refer to the policy at any time and therefore it needs to be easily accessible.
- R4 Key Policies such as the Recruitment and Selection Policy should be reviewed on an annual basis to ensure alignment with updates in legislation, best practice and / or local government requirements.
- R5 As part of the next Recruitment and Selection Policy review, we recommend that the recruitment and appointment of Senior Leaders into Bayside be reflected in detail within the policy. While there may be a different process, a formal policy should be immediately created to ensure due diligence occurs to mitigate any risks.
- R6 Due to the high-level Transition Recruitment Policy, the processes for amending access rights to various systems and information should be clearly defined. This will ensure when an employee transfers from one department to another department their access to systems, personal data and department/team related files will be removed and amended.
- R7 It was recommended immediately to the Coordinator of the People and Culture team to cease the informal practice of the Compliance Officers (Rangers) delivering the personal information to employees. As a result, as of 18 June, the People and Culture Team had been advised to cease this practice.

Bayside Council - Internal Audit of Recruitment, Employee Lifecycle and Termination Processes - July 2019

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Executive Summary

Ref	Management Response	Name & Role of Responsible Officer	Target Completion Date
R3	Partly agree: a) The Transition Recruitment Policy is in accordance with the Local Government Act 1993 related to an amalgamated Council. There is currently a process for new starters, leavers and transfers, an email is sent to all stakeholders that needs to action changes to access right, delegation ect. The Transition Recruitment Policy will remain in effect until 9 September 2019 as per Local Government Act 1993. A new Recruitment policy and procedure will be developed and implemented, including the recruitment policy and procedure for senior leaders and managers. The Policy will also include a documented process for amending access rights to various systems when staff transfer to different positions. b) The current On-Boarding Policy is on Bayside council's intranet accessible by all staff. A detailed On-Boarding/probation procedure will be developed and implemented that ensures ease of use for Managers, whilst taking into account legislation and regulations. c) The current Exiting employees Policy will remain and a detailed procedure will be developed, This procedure will also include a process for amending access rights to various systems	a) Coordinator Workplace Relations b) Coordinator Workplace Relations c) Coordinator Workplace Relations	a) December 2019 b) December 2019 c) February 2020
R4	The recruitment policy will be reviewed annually	Coordinator Workplace Relations	Annually from implementation of new Recruitment Policy and Procedure
25	The new Recruitment Policy and Procedure will contain policy and procedures for recruitment of Senior leaders and Managers	Coordinator Workplace Relations	December 2019
26	The new recruitment policy and procedure will contain a clear process for amending access rights to different systems	Coordinator Workplace Relations	December 2019
R7	The informal practise of a Ranger delivering letters to staff has been ceased	Coordinator Workplace Relations	Completed

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Executive Summary

2.3. Off-Boarding process requires review

Risk Rating:

Medium

Observation

To assess the off-boarding process, we conducted interviews with all of the People and Culture Business Partners and observed that:

- 1. There is no data from exit interviews retained. This is ineffective as POC are unable to identify any turnover trends.
- 2. The Off-Boarding process is very manual requiring the People and Culture team to remember to advise payroll and send the appropriate communications

Risks/Implications

There is a risk:

- . Of not being able to predict future resignations through the turnover trends
- That significant turnover trends are not identified and therefore there is no opportunity to mitigate issues leading to turnover. This can impact workforce planning but
 can also mean that trends that could be indicative of more serious workplace concerns (such as bullying, harassment or discrimination) are not being identified and
 resolved.
- That as the Off-Boarding process is manual it requires the People and Culture team to remember to advise payroll and send the appropriate communications to the
 various departments. There is, therefore a potential risk of overpaying an employee or a terminated employee having access to internal systems.

Recommendations

- R8 As part of the introduction of a new eRecruit System, People and Culture may wish to look at obtaining and implementing a more sophisticated HR information system, rather than completing manual processes.
- R9 The Employee Clearance Form is received by the People and Culture Team on the employee's last day. People and Culture may wish to create a more detailed process and checklist to ensure they follow up with terminating employees and their managers to ensure the risk of overpaying an employee is minimal.

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Executive Summary

R10 As many of the people and culture activities are manual, including the Off-Boarding Process, Bayside may wish to consider completing an internal audit for payroll to understand and alleviate any risks of information not being sent to payroll punctually and possible overpayments occurring

Ref	Management Response	Name & Role of Responsible Officer	Target Completion Date
R8	Partly agree: The off boarding is currently a manual process, however there are controls in place to mitigate that manual errors may occur. Firstly, there is a new starter, leavers and transfers email that is sent to all stakeholders to take actions. Secondly, a payroll report is sent to the managers to check that correct payment of staff. The second control measure commenced 29 July 2019. The commencement of a termination process will always remain manual however, POC will investigate if the iCHRIS, CHRIS 21 (self-service) system or e-recruitment system can be used to move from a paper based process to more automated process instigated by the manager as soon as a resignation has been received.	Coordinator, Workplace Relations	February 2020
R9	POC will create a detailed off-boarding procedure and check list, preferably to be used in one of the above mentioned systems, further controls has been implemented. Mangers receives a weekly payroll report to check that payment to staff are correct.	Coordinator, Workplace Relations	February 2020
R10	The audit Office has recently completed an external in-depth payroll audit, the results has not yet been received. Further, BDO conducted an external payroll audit in December 2018, all recommendations from this audit was implemented immediately. Post-implementation review has been completed. Actions from the post implementation review is implemented into Bayside's work planning process. This process allows the monitoring of the implemented actions in iCHRIS.	Coordinator, Payroll	December 2019

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Executive Summary

2.4. Regular training is not provided for all of the Selection Committee

Risk Rating:

Medium

Observation

As per the Transition Recruitment Policy, the Selection Committee consists of a member of the People and Culture Team, the Supervisor of the position and the Director of the Department or their delegate.

- Internal training for interviews occurs for managers throughout the year run by the Learning and Development team and people managers are invited to attend. If the Manager has not completed the training, the POC representative will train the manager during the interview and recruitment process.
- The Internal training is not provided on a regular basis and when discussed within the various People Manager interviews, not one of the interviewees mentioned they had attended the Bayside recruitment training.
- 3. Within our control testing it was noted that 10 out of 17 new starters were interviewed by managers who had not received recruitment training from Bayside; and
- 4. Employees who participate in the recruitment and selection process are currently not required to declare any conflicts of interest.

Risks/Implications

There is a risk that:

An untrained manager may act or speak in an unethical or inappropriate manner, which could result in legal consequences for Bayside.

Recommendations

- R11 We recommend that all Hiring Managers complete mandatory and recurring recruitment and selection training, in order to ensure that there is no gap in capabilities.
- R12 Refresher training sessions should be provided on a regular basis to communicate all the changes of Recruitment policy and procedures, as well as provide practical training on enhancing interview skills and techniques.
- R13 We recommend that the recruitment and selection training include more areas to assist in finding the best employees, such as analysing the vacancy, advertising

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Executive Summary

mediums, interview techniques such as controlling the interview, questioning techniques, active listening and how to identify and avoid bias not simply just conducting an interview.

R14 The Recruitment Policy should reflect the requirement of the employees to attend mandatory formal recruitment and selection training on the Council's recruitment process and attend refresher-training modules.

Ref	Management Response	Name & Role of Responsible Officer	Target Completion Date
R11	Agree: A POC trained officer is part of all Recruitment Panels to prevent any inappropriate comments from the Manager. However, Mandatory recruitment training for interview Panel Members will be developed and implemented post-implementation of the new Recruitment Policy and Procedure. A reoccurring program recruitment and selection training program will then be implemented. Please note that a process to declare any conflict of interest has been developed and implemented post receiving this audit report.	Coordinator, Learning and Development	March 2020
R12	Agree: A refresher training program for recruitment and selection will then be implemented, including but not limited to interview skills and techniques.	Coordinator, Learning and Development	Every two years
R13	Agree: Recruitment and selection training will include how to analysing the vacancy, advertising mediums, interview techniques such as controlling the interview, questioning techniques, active listening and how to identify and avoid bias.	Coordinator, Learning and Development	March 2020
R14	Agree: The Recruitment Policy will include that it is mandatory for Panel Members for and interview to attend mandatory formal recruitment and selection training on the Council's recruitment process and attend refresher-training modules, before they are able to participate in an interview Panel	Coordinator, Workplace Relations	3 December 2019

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2.5. Inconsistent On-Boarding Practices

Risk Rating:

Medium

Observation

As part of the On-Boarding review, we sample tested 17 new starters to ensure consistency and Council alignment to legislative requirements and Bayside culture. We noted the following:

- 1. Casual employees in the City Life directorate are not required to attend induction training, which details key policies, such as harassment and discrimination.
- 2. 3 out of 17 sampled employees could not have their attendance at induction training verified; and
- 3. 1 out of 17 sampled employees received their induction training 9 months after their start date,

Risks/Implications

There is a risk that:

Employees who do not attend induction Training, which includes key policy training and awareness in areas of Harassment, Discrimination & Safety as well as the culture of Bayside, could result in possible legal consequences should an employee breach the policy.

Recommendation

R15 All employees whether they are Permanent, Full Time, Part Time, Contract (including third part contractors) and Casuals should attend an Induction Training session relevant to the each Directorate's, to ensure employees have understood their obligations and to act in a way that minimises risk to employees with regard to critical areas such as Bullying, Harassment, Safety, etc. If an employee does not attend the training as close to the commencement of employment, then the People and Culture team should proactively follow up directly with the employee and manager and continue to notify the executive team of the non-attendance. BDO understands that at the time of the audit that the employees listed above found within the testing of non-attendance had been informed to the executive team.

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Ref	Management Response	Name & Role of Responsible Officer	Target Completion Date
R15	Agree: POC implemented formalised Induction 18 months ago. It includes Bayside Values, Code of Conduct, Bullying & Harassment, Discrimination, WHS, A thank you is enough, Alcohol and Other Drug Policy. All staff members is being invited, Casual, part-time, full-time, fixed-term, contractors and agency staff.	Coordinator, Learning and Development	Completed
	The induction is constantly being reviewed to ensure the relevant information and knowledge is provided to the new starters and that a solid follow up process of non- attendance is in place.		
	POC has recently included in the contract of employment that a successful completion of the probation period is dependent on attending Bayside Induction. Further, a new Memo has been created that is sent to the Manager of the new starter if the new starter did not attend the Induction in their first month of employment. In addition a quarterly Report is provided to the Executive Including the data related to new starters attending the Induction within their probation period.		
	The two staff members that did not attend induction within the required time frame at the time of the Audit had been reported to Executive Committee in the POC Quarterly Report. Further, one of the two non-attendees attended induction in July 2019. The second staff member has been invited again to the August Induction and a Memo has been sent to the Manager and Director to ensure the employee attend the Induction in August.		
	Different modules of the Induction has been rolled out to ensure to cater for different Business Needs. For example, the seasonal workforce at the pool received their Induction on site. I booklet has been developed for front line staff.		
	1001000 - Administration officer did attend Induction on 9 May 2019 and her commencement date was 29 April 2019.		

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Executive Summary

2.6. There is currently no Recruitment and Talent Management Strategy

Risk Rating:

Medium

Observation

Bayside's Strategic Workforce Plan 2030 was created and finalised in early 2018 as part of the Strategic Plan for 2028 and takes a long-term view of Council's workforce needs over a 10-year planning horizon.

As part of the Strategic Workforce Plan 2030, Bayside has identified seven key strategies. The seven strategies aim to optimise Bayside's workforce strengths and performance, address their most critical challenges and help focus efforts in building a customer-centric and high performing environment. One of these strategic priorities is to Retain and Attract a Talented and Diverse workforce. Bayside views the workforce plan as an important element in resource planning over the next 4 years and beyond

As part of our review, we observed the following:

- 1. No current project plans to achieve the key objective of "Retain and Attract a Talented and Diverse workforce" have been implemented.
- In relation to Succession Planning, no formal Succession Planning strategy or broader Talent Management Strategy exists. The People and Culture Team are aware of
 the need for Succession Planning and on occasion work with their Business Unit to include as part of their recruitment decisions. However, no formal process occurs and
 succession planning is completed on an Ad-hoc basis.
- In relation to creating a diverse workforce, as part of the Workforce Plan and as per our meeting with the various People Managers, diversity is not actively addressed within the recruitment process.

Risks/Implications

The potential risks of not having a detailed Recruitment and Talent Management Strategy are:

- · Potential additional recruitment costs, the loss of high calibre employees and possible high turnover, as well as possible disruption to Bayside and staff morale.
- Bayside could potentially experience, a lack of broad talents, varied skills and experiences, a lack of innovation, smaller talent pools and possible low employee performance as diversity fosters a more creative workforce.

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Executive Summary

Recommendations

R16 The People and Culture team together with the Directors and Managers should collaborate and create a Talent Management Strategy, including a Recruitment Strategy in order for the Workforce Plan to achieve its objectives. By collaborating with the various Directorates, this will allow the Strategy to be facilitated by the People and Culture Team, but be owned by the Directors and the Managers of each Directorate.

R17 Key talent management risks for critical positions should be identified so that countermeasures can be implemented accordingly.

R18 A formal succession plan should be developed to address contingency staffing needs when a critical role becomes vacant or the incumbent becomes incapacitated.

Ref	Management Response	Name & Role of Responsible Officer	Target Completion Date
R16	Agree: The People and Culture will collaborate with the Directors and Managers to create a Talent Management Strategy, including a Recruitment Strategy.	Manager, POC	September 2020
R17	Agree: Key talent management risks for critical positions should be identified so that countermeasures can be implemented accordingly.	Manager, POC	November 2020
R18	Agree: A formal succession plan should be developed to address contingency staffing needs when a critical role becomes vacant or the incumbent becomes incapacitated.	Manager, POC	November 2020

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Detailed Findings

2.7. Records Management requires improvement

Risk Rating:

Medium

Observation

During our internal audit fieldwork, we observed that confidential employee documents were left unlocked and in plain sight.

As there is currently no system in place, all the employees' information is saved in the TRIM folder. Based on samples selected for testing, the following documents were not available for review. This could be an indication that documents had either not been completed at the time of the selection process, or may not have been filed appropriately. We understand that Bayside is in the process of implementing an effectual solution.

No.	Code	Basis of Employment	Primary Role	Documents not available for audit
1	100993	Fixed Term	Manager of Sports & Recreation	Qualification check Criminal check Evidence for probationary review
2	100881	Casual	Customer Service Officer Sports and Recreation (Golf)	Selection committee report Evidence of attendance at induction training
3	100854	Full-Time	Ranger	Internal advertisement Evidence for probationary review
4	101012	Fixed Term	Project Support Officer	8. Evidence of interview confirmation 9. Selection committee report 10. Qualification check 11. Evidence for probationary review
5	100892	Fixed Term	Senior Operations Technician	Evidence position was advertised externally Evidence of interview confirmation Selection committee report Reference check Evidence of provision of emergency contact detail

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Detailed Findings

6	100894	Part-Time	School Aged Care Edu - Casual	Internal Advertisement WWCC Evidence of attendance at induction training
7	100900	Fixed Term	Community Worker (6 months)	20. Selection Committee Report
8	100997	Part-Time	Early Childhood Educator - Diploma	Internal Advertisement Qualification Check Evidence for probationary review
9	101000	Full-Time	Administration Officer	24. Evidence of attendance at induction training
10	100834	Full-Time	Accounts Payable Officer	External Advertisement Completed on boarding checklist Evidence for probationary review
11	100849	Fixed Term	Development Manager	28. Selection Committee Report 29. Reference check 30. Qualification check 31. On boarding checklist 32. Evidence for probationary review
12	100535	Full-Time	Recreation and Venues Booking Officer	33. Authority to Recruit form 34. Selection Committee Report 35. Evidence of provision of emergency contact detail
13	100705	Part-Time	CALD Specialist	36. Clearance form

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Detailed Findings

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Risks/Implications

There is a risk that:

- . Unauthorised access to confidential payroll and People and Culture information if employee data and records are not locked up and kept secure.
- Policies and procedures are not adequately followed and this can expose Bayside to risk should a selection process be challenged. It also serves as evidence to other findings as per our report.

Recommendation

R19 Employee records are private and confidential. All personal information should be retained in a secured manner, and strict guidelines set on the storage and handling of personal information and who is authorised to access this information. A timeline for uploading all the documents should also be established and added to the policy or procedure, to ensure the process is transparent and completed and in accordance with the Bayside's Recruitment Policy.

Ref	Management Response	Name & Role of Responsible Officer	Target Completion Date
R19	Partly agree: The POC function is separated from other business units, residing on the same floor, by glass walls. Further, the Manager, POC has a secure office where confidential information is stored that cannot yet be imported into Bayside's document management system. It is normal that POC staff have documents on their desks that they are working on during the day. At the conclusion of the day all sensitive information is locked in their personal drawers until it has been uploaded to the document management system. However, a formalised administration procedure of storage and handling of personal information procedure will developed and implemented including a timeline for uploading documents into the document Management System. A process already exist to provide authorisation to access personal information.	Manager, POC	30 November 2019

Item 5.3 – Attachment 1

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Detailed Findings

2.8. Recruitment and Selection Process and Design requires review

Risk Rating: Low

Observation

To assess the recruitment process, we conducted interviews with all of the People and Culture Business Partners, as well as the various People Managers at Bayside, and observed the following:

- 1. The recruitment process is manual, with no checklist to ensure completion of all recruitment items. Our sample testing showed the following:
 - a) 6 out of 12 new starters sampled had over 45 days between the 'Authority to Recruit' form being signed and their start date, indicating there was a possible delay in the recruitment process. These new starters were a combination between full time, part time and fixed term employees;
 - b) 14 out of 17 'Authority to Recruit' forms were not completed correctly or completely, vital information such as salary and due diligence was missing;
- Candidates are able to complete a survey based on their experience applying for the role, however, this information is not used effectively and therefore does not seem to provide substantial benefit to Bayside.
- 1. No evidence of Conflict of Interest declarations were received for any of the samples tested.
- 4. End to End recruitment milestone timeframes are not formally established (e.g. time to fill roles);
- 5. There is no general Human Resources analytics, which may include current open roles, time to fill and diversity, etc.
- 6. There is no preferred supplier agreement for the use of recruitment agencies.

Risks/Implications

There is a risk that:

Bayside may be unable to attract and recruit quality candidates due to the manual lengthy process;

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Detailed Findings

- · Recruitment information may be lost or delayed due to the Manual process;
- Inappropriate candidates may be selected where a hiring position/People and Culture/authorised personnel do not declare a conflict of interest; and
- Engaging suppliers that do not demonstrate the ability to provide the best value services to Bayside may increase costs to Bayside and affect the quality of the recruitment experience for candidates.

Recommendations

- R20 Employees involved in the recruitment and selection process should be required to declare any conflicts of interest as per the Local Government Act.
- R21 All recruitment and selection related documents should be maintained securely. A timeline for the uploading of all documentation to the shared drive should be established to ensure the process is transparent, complete, and accurate and based on merit in accordance with the Bayside's Recruitment policy. Further, all necessary documentation should be provided prior to the issuing of an offer of employment to the successful candidate.
- R22 Formal end to end recruitment milestone timeframes should be established and reported upon, resulting in a more streamlined process
- R23 Revaluate the candidate application survey, and how the data collected may be used more efficiently to assist POC operations and strategy.
- R24 Invest in using HR analytic tools. This will assist Bayside to identify any trends with the Talent Management of their employees, ensuring the long-term People and Culture strategy goals are achieved.
- R25 It was noted that a new recruitment solution is currently being developed and implemented within the People and Culture Team to help streamline and improve the overall experience and management of the entire recruitment process. This is due to be integrated into the Bayside over the next few months. In order to be effective, the roles and responsibilities relating to the entire process ownership should be reviewed to maximise effectiveness and improve the "value-add" provided by the People and Culture Team. Hiring Managers should also be asked for their feedback and input into the development of the new recruitment solution to ensure People and Culture have their buy-in. Expectations should also be evaluated and agreed upon to ensure the new solution meets the business needs.

Ref	Management Response	Name & Role of Responsible Officer	Target Completion Date		
R20	Agree: Post receiving this audit report a process/form was developed and implemented to formalise	Coordinator, Workplace Relation	Completed		
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the declaration of any conflict of interest.

R21	Partly agree: a) All recruitment and selection related documents are currently maintained securely. The documents are either in the document management system or whilst being processed in the POC area and locked away in drawers if further work is required.	a) Manager, POC	a) December 2019
	over a period of time. A formalised Administration procedure will be developed to ensure security of documents, timeline for the uploading of all documentation to the document management system. b) A checklist will be created to ensure all documents required for the recruitment of the particular position has been uploaded in the document Management and that all documents required from the preferred candidate has been received prior to offer of employment.	b) Coordinator, Workplace Relations	b) December 2019
R22	Partly agree: POC is providing a Quarterly Report to the Executive Committee which include a variety of HR measures. However, recruitment measures has not yet been provided as the erecruitment system is being implemented in the coming months. However, one measure such as time to recruit will be presented in the 1st Quarterly Report for the 2019 - 2020 financial year. More sophisticated measures will be provided as the e-recruitment system is operational.	Coordinator, Worlplace Relations	1 st Quarterly Report for Financial year of 2019 -2020
	Formal end to end recruitment milestone timeframes will be established and reported upon. The recruitment metrics will be included in the Quarterly Report to the Executive Committee		December 2019
R23	POC will review the candidate application survey to evaluate how to best use the survey, after interview process or as current at the application stage. The data will then be included into the Quarterly Report to the Executive Committee.	Coordinator, Workplace Relations	June 2020
R24	Partly agree: The first Quarterly Report was provided to the Executive Committee for the 3rd Quarter of the 2018 - 2019 financial year. This included Total Permanent FTE, Total FTE, Total Headcount, Total fTE per Department divided into permanent, Casual and fixed term staff, Sick and carer's days taken that quarter divided into department, number of Health and Well Being Days taken, Leave liability for long service leave and annual leave divided into departments, overtime cost divided into departments, salary cost divided into department, employee demographics, labour turn over divided into departments including reason for	Manager, POC	June 2020
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Detailed Findings

leaving, length of service and age demographic of the terminations, New starters induction attendance, Learning and Development measures, Work Health and Safety measures such as Planned and unannounced inspections completed, corrective actions completed on time, compliance training completed, number of workers compensation and more.

The reporting will mature with the iCHRIS being utilised more effectively (data being recorded in the system), the e-recruitment system and the Learning and Development System being implemented POC will have access to all required analytics to provide timely measurements and data to Executive Committee and Manager to manage human resources appropriately.

R25 The roles and responsibilities relating to the ownership of the recruitment process was reviewed during the development of the e-recruitment system. Hiring Managers have been consulted regarding the new e-recruitment process and they are very eager for the new system to be implemented. Coordinator, Workplace Relations

December 2019

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2.9. The Performance Management Tool is too generic for all directorates

Risk Rating:

Low

Observation

To assess the performance management process, we conducted interviews with all of the People and Culture Business Partners and observed that:

- There is one performance assessment document applied to all employees within Bayside. It is unreasonable that the same document would be equally relevant to all staff across all roles and directorates.
- No formal Succession Planning strategy exists. The People and Culture Team are aware of the need for Succession Planning and on occasion work with their Business Unit to include as part of their recruitment strategy. However, no formal process occurs and succession planning is completed on an Ad-hoc basis (as noted in a previous finding)

Risks/Implications

There is a risk that:

- · Performance assessments are inefficient and ineffective.
- · High turnover, lowered retention of new starters
- · Losing good talent
- · Critical roles are not identified

Recommendation

R26 Develop performance assessment documents and frameworks in accordance with the nature of the role. We understand that at the time of the internal audit that the Performance Management assessment was under review and new tools are currently being developed for immediate implementation.

As previously outlined, a formal succession plan should be developed to address contingency staffing needs, as well as to retain and develop Bayside employees. The

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details of the succession planning should be part of the overall Recruitment and Talent Management Strategy.

Ref	Management Response	Name & Role of Responsible Officer	Target Completion Date
R26	A new Performance Review process has been implemented with 5 different streams to cater for the different requirements of the positions as follows: • Directors Performance Review and Planning Process • Managers Performance Review and Planning Process • Coordinators Performance Review and Planning Process • Indoor Employees Performance Review and Planning Process • Outdoor Employees Performance Review and Planning Process	Manager, POC	Completed
	Bayside is also implementing an electronic performance review and planning process to align with the 10 year Council Strategic Plan, 4 years Delivery Program and 1 year Operational Plan.	Manager, POC	June 2020
	A Succession Planning Policy, procedure and processes will be implemented	Manager, POC	November 2020

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2.10. Limited advertising and sourcing methodology

Risk Rating:

Low

Observation

As per the Transition Recruitment Policy and the Bayside amalgamation, all positions must be advertised internally for a minimum of 1 week prior to being advertised externally. The decision as to where to place an external advertisement is determined by the type of position, the level of the position and the type of candidates being sought. Managers are guided by the People and Culture Team on best practice to place external adverts.

As part of our review, we noted the respective Hiring Manager completes the initial Authority to Recruit (ATR) as to which external advertising mediums were to be used. It appeared that only SEEK and the Bayside website were used as a minimum. However, on discussion with various key People Managers, other advertisement mediums have not been recommended by the People and Culture Team when there are insufficient candidates or low calibre candidates.

Risks/Implications

There is a risk that:

. Not applying various advertising mediums, may result in limiting the number of prospective candidates applying for the role.

Recommendations

R27 Current advertising strategies should be evaluated on a regular basis to assess effectiveness in attracting the right candidates.

R28 Advertising and sourcing of candidates do not currently involve leveraging social platforms (e.g. Linkedin), and only use Seek and Internal methods. Best Practice is to ensure the advertisement is placed where the target candidates will find it and will vary according to the position. The advantages of using social media include reaching passive candidates, highlighting Bayside's culture and this can reduce recruitment costs while also attracting a large source of talent.

R29 The People and Culture Team should consider creating active formal Talent Pools for roles that are regularly recruited for or are for a specific area of expertise. We noted that this is currently completed in an informal manner. However, this should be more formal as Talent Pools have significant benefits to the organisation, such as reducing the cost of recruitment, reducing the time to hire and to identify candidates for further roles

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Ref	Management Response	Name & Role of Responsible Officer	Target Completion Date
R27	Partly agree: Bayside use Linkedin for advertising and facebook at times as well as different professional networks and Magazines (electronic or paper based). However, At the time when POC have data in relation to source of recruitment a better evaluation of advertisement strategy will be apparent in the interim POC will create a list of relevant advertisement medium available for different job families.	Coordinator, Workplace Relations	December 2019
R28	POC will be reviewing the use of social media as an advertisement medium to better target candidates for the particular position.	Coordinator, Workplace Relations	August 2020
R29	POC will develop an active Talent Pool for roles that are regularly recruited for or where specific skills are required.	Manager, POC	June 2020

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APPENDIX A: Listing of Bayside People Managers interviewed

Stakeholder	Role
Fausto Sut	Manager Governance and Risk
Kristina Forsberg	Manager People and Organisational Culture
Kyle Jamieson	Manager Parks and Open Spaces
Michael Aziz	Manager Compliance
Liz Rog	Manager Executive Services
Karin Targa	Manager Major Projects
Matthew Walker	Manager Finance
Ben Thompson	Coordinator Workplace Relations Safety and Wellness
Sheba Martin	POC Business Partner
Bernadette Vozzo	POC Business Partner
Adam Tsui	POC Business Partner
Seema Singh	POC Business Partner

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APPENDIX B: List of Documents Reviewed

•	Document	
	POC Organisational Chart	
	Transition Recruitment Policy	
1	Performance Planning and Review Policy and Procedure	
	Exiting Employee Policy and Procedure	
,	Probation Policy	
	The Recruitment Strategy	
,	Authority to Recruit Form	
	Employee Clearance Form	
	Competency Assessment Form	
0	Performance Review Form	
1	Work Plan Template	

#	Document
12	List of new starters for period 1 July 2018 to 31 May 2019
13	List of terminations for period 1 July 2018 to 31 May 2019
14	List of internal transfers for period 1 July 2018 to 31 May 2019
15	External and Internal Recruitment Advertisements
16	Reference Check Templates
17	List of new starters for period 1 July 2018 to 31 May 2019
18	List of terminations for period 1 July 2018 to 31 May 2019
19	List of internal transfers for period 1 July 2018 to 31 May 2019
20	External and Internal Recruitment Advertisements
21	Reference Check Templates
22	Selection Committee Report

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APPENDIX C: Summary of Recommendations for Action

Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
Ri	We recommend that Bayside implement a detailed procedure that establishes and documents the process for pre-employment screening checks and due diligence checks within the recruitment policy. This will ensure that Bayside is able to manage the risk of hiring unsuitable employees.	Partly agree: Bayside Council undertake reference checks for Casual employees, it is part of the recruitment process, and there is no indication of how many casual employees' reference checks were missing. Further, please note that in particular circumstances the medical checks has been done post-employment, however in those circumstances the contract of employment explicitly states that the employment is conditional on satisfactory employment medical checks. Please note that this practise has now ceased. Bayside Council will develop and implement a detailed pre-employment screening procedure and check list which is relevant to Bayside but based on the ICAC report "Strengthening Employment Screening Practices in the NSW Public Sector".	Coordinator, Work Place Relations	December 2019
R2	We recommend that the Bayside's People and Culture team review the recent ICAC report on "Strengthening Employment Screening Practices in the NSW Public Sector" published in February 2018 to ensure correct due diligence is implemented to reduce the risk of not collecting the appropriate information. This report provides a range of techniques and tools that the People and Culture Team can refer to and/or apply to improve the quality of the employment screening checks.	The Workplace Relations Team will review the ICAC Report Strengthening Employment Screening Practices in the NSW Public Sector" and develop a screening procedure which is relevant to Bayside based on the aforementioned report.	All POC Partner and Officers	December 2019

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R3	The current policies in place for Recruitment, On-Boarding and Exiting employees should be rewritten to include the full recruitment process and procedures, in order to be compliant with legislation and regulations, give-guidance on decision-making and streamline the internal processes. Employees and Managers should be able to refer to the policy at any time and therefore it needs to be easily accessible.	Partly agree: d) The Transition Recruitment Policy is in accordance with the Local Government Act 1993 related to an amalgamated Council. There is currently a process for new starters, leavers and transfers, an email is sent to all stakeholders that needs to action changes to access right, delegation ect. The Transition Recruitment Policy will remain in effect until 9 September 2019 as per Local Government Act 1993. A new Recruitment policy and procedure will be developed and implemented, including the recruitment policy and procedure for senior leaders and managers. The Policy will also include a documented process for amending access rights to various systems when staff transfer to different positions. e) The current On-Boarding Policy is on Bayside council's Intranet accessible by all staff. A detailed On-Boarding/probation procedure will be developed and implemented that ensures ease of use for Managers, whilst taking into account legislation and regulations. f) The current Exiting employees Policy will remain and a detailed procedure will be developed. This procedure will also include a process for amending access rights to various systems	d) Coordinator Workplace Relations e) Coordinator Workplace Relations f) Coordinator Workplace Relations	d) December 2019 e) December 2019 f) February 2020

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R4	Key Policies such as the Recruitment and Selection Policy should be reviewed on an annual basis to ensure alignment with updates in legislation, best practice and / or local government requirements.	The recruitment policy will be reviewed annually	Coordinator Workplace Relations	Annually from implementation of new Recruitment Policy and Procedure
R5	As part of the next Recruitment and Selection Policy review, we recommend that the recruitment and appointment of Senior Leaders into Bayside be reflected in detail within the policy. While there may be a different process, a formal policy should be immediately created to ensure due diligence occurs to mitigate any risks.	The new Recruitment Policy and Procedure will contain policy and procedures for recruitment of Senior leaders and Managers	Coordinator Workplace Relations	December 2019
R6	Due to the high-level Transition Recruitment Policy, the processes for amending access rights to various systems and information should be clearly defined. This will ensure when an employee transfers from one department to another department their access to systems, personal data and department/team related files will be removed and amended.	The new recruitment policy and procedure will contain a clear process for amending access rights to different systems	Coordinator Workplace Relations	December 2019
R7	It was recommended immediately to the Coordinator of the People and Culture team to cease the informal practice of the Compliance Officers (Rangers) delivering the personal information to employees. As a result, as of 18 June, the People and Culture Team had been advised to cease this practice.	The informal practise of a Ranger delivering letters to staff has been ceased	Coordinator Workplace Relations	Completed

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R8	As part of the introduction of a new eRecruit System, People and Culture may wish to look at obtaining and implementing a more sophisticated HR information system, rather than completing manual processes.	Partly agree: The off boarding is currently a manual process, however there are controls in place to mitigate that manual errors may occur. Firstly, there is a new starter, leavers and transfers email that is sent to all stakeholders to take actions. Secondly, a payroll report is sent to the managers to check that correct payment of staff. The second control measure commenced 29 July 2019. The commencement of a termination process will always remain manual however, POC will investigate if the iCHRIS, CHRIS 21 (self-service) system or e-recruitment system can be used to move from a paper based process to more automated process instigated by the manager as soon as a resignation has been received.	Coordinator, Workplace Relations	February 2020
R9	The Employee Clearance Form is received by the People and Culture Team on the employee's last day. People and Culture may wish to create a more detailed process and checklist to ensure they follow up with terminating employees and their managers to ensure the risk of overpaying an employee is minimal.	POC will create a detailed off-boarding procedure and check list, preferably to be used in one of the above mentioned systems, further controls has been implemented. Mangers receives a weekly payroll report to check that payment to staff are correct.	Coordinator, Workplace Relations	February 2020

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R10	As many of the people and culture activities are manual, including the Off-Boarding Process, Bayside may wish to consider completing an internal audit for payroll to understand and alleviate any risks of information not being sent to payroll punctually and possible overpayments occurring	The audit Office has recently completed an external in-depth payroll audit, the results has not yet been received. Further, BDO conducted an external payroll audit in December 2018, all recommendations from this audit was implemented immediately. Post-implementation review has been completed. Actions from the post implementation review is implemented into Bayside's work planning process. This process allows the monitoring of the implemented actions in iCHRIS.	Coordinator, Payroll	December 2019
R11	We recommend that all Hiring Managers complete mandatory and recurring recruitment and selection training, in order to ensure that there is no gap in capabilities.	Agree: A POC trained officer is part of all Recruitment Panels to prevent any inappropriate comments from the Manager. However, Mandatory recruitment training for interview Panel Members will be developed and implemented post-implementation of the new Recruitment Policy and Procedure. A reoccurring program recruitment and selection training program will then be implemented. Please note that a process to declare any conflict of interest has been developed and implemented post receiving this audit report.	Coordinator, Learning and Development	March 2020
R12	Refresher training sessions should be provided on a regular basis to communicate all the changes of Recruitment policy and procedures, as well as provide practical training on enhancing interview skills and techniques.	Agree: A refresher training program for recruitment and selection will then be implemented, including but not limited to interview skills and techniques.	Coordinator, Learning and Development	Every two years

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R13	We recommend that the recruitment and selection training include more areas to assist in finding the best employees, such as analysing the vacancy, advertising mediums, interview techniques such as controlling the interview, questioning techniques, active listening and how to identify and avoid bias not simply just conducting an interview.	Agree: Recruitment and selection training will include how to analysing the vacancy, advertising mediums, interview techniques such as controlling the interview, questioning techniques, active listening and how to identify and avoid bias.	Coordinator, Learning and Development	March 2020
R14	The Recruitment Policy should reflect the requirement of the employees to attend mandatory formal recruitment and selection training on the Council's recruitment process and attend refresher- training modules.	Agree: The Recruitment Policy will include that it is mandatory for Panel Members for and interview to attend mandatory formal recruitment and selection training on the Council's recruitment process and attend refresher-training modules, before they are able to participate in an Interview Panel	Coordinator, Workplace Relations	3December 2019

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All employees whether they are Permanent, Full Time, Part Time, Contract (including third part contractors) and Casuals should attend an Induction Training session relevant to the each Directorate's, to ensure employees have understood their obligations and to act in a way that minimises risk to employees with regard to critical areas such as Bullying, Harassment, Safety, etc. If an employee does not attend the training as close to the commencement of employment, then the People and Culture team should proactively follow up directly with the employee and manager and continue to notify the executive team of the non-attendance. BDO understands that at the time of the audit that the employees listed above found within the testing of non-attendance had been informed to the executive team.

Agree:
POC Implemented formalised Induction 18
months ago. It includes Bayside Values, Code of
Conduct, Bullying & Harassment, Discrimination,
WHS, A thank you is enough, Alcohol and Other
Drug Policy. All staff members is being invited,
Casual, part-time, full-time, fixed-term,
contractors and agency staff.

The induction is constantly being reviewed to ensure the relevant information and knowledge is provided to the new starters and that a solid follow up process of non-attendance is in place.

POC has recently included in the contract of employment that a successful completion of the probation period is dependent on attending Bayside induction. Further, a new Memo has been created that is sent to the Manager of the new starter if the new starter did not attend the induction in their first month of employment. In addition a quarterly Report is provided to the Executive including the data related to new starters attending the induction within their probation period.

The two staff members that did not attend induction within the required time frame at the time of the Audit had been reported to Executive Committee in the POC Quarterly Report. Further, one of the two non-attendees attended induction in July 2019. The second staff member has been invited again to the August Induction and a Memo has been sent to the Manager and Director to ensure the employee attend the induction in August.

Coordinator, Learning and Completed Development

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
		Different modules of the Induction has been rolled out to ensure to cater for different Business Needs. For example, the seasonal workforce at the pool received their Induction on site. I booklet has been developed for front line staff. 1001000 - Administration officer did attend induction on 9 May 2019 and her commencement date was 29 April 2019.		
R16	The People and Culture team together with the Directors and Managers should collaborate and create a Talent Management Strategy, including a Recruitment Strategy in order for the Workforce Plan to achieve its objectives. By collaborating with the various Directorates, this will allow the Strategy to be facilitated by the People and Culture Team, but be owned by the Directors and the Managers of each Directorate.	Agree: The People and Culture will collaborate with the Directors and Managers to create a Talent Management Strategy, including a Recruitment Strategy.	Manager, POC	September 2020
R17	Key talent management risks for critical positions should be identified so that countermeasures can be implemented accordingly.	Agree: Key talent management risks for critical positions should be identified so that countermeasures can be implemented accordingly.	Manager, POC	Completed
R18	A formal succession plan should be developed to address contingency staffing needs when a critical role becomes vacant or the incumbent becomes incapacitated.	Agree: A formal succession plan should be developed to address contingency staffing needs when a critical role becomes vacant or the incumbent becomes incapacitated.	Manager, POC	November 2020

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R19	Employee records are private and confidential. All personal information should be retained in a secured manner, and strict guidelines set on the storage and handling of personal information and who is authorised to access this information. A timeline for uploading all the documents should also be established and added to the policy or procedure, to ensure the process is transparent and completed and in accordance with the Bayside's Recruitment Policy.	Partly agree: The POC function is separated from other business units, residing on the same floor, by glass walls. Further, the Manager, POC has a secure office where confidential information is stored that cannot yet be imported into Bayside's document management system. It is normal that POC staff have documents on their desks that they are working on during the day. At the conclusion of the day all sensitive information is locked in their personal drawers until it has been uploaded to the document management system. However, a formalised administration procedure of storage and handling of personal information procedure will developed and implemented including a timeline for uploading documents into the document Management System. A process already exist to provide authorisation to access personal information.	Manager, POC	30 November 2019
R20	Employees involved in the recruitment and selection process should be required to declare any conflicts of interest as per the Local Government Act.	Agree: Post receiving this audit report a process/form was developed and implemented to formalise the declaration of any conflict of interest.	Coordinator, Workplace Relation	Completed

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R21	All recruitment and selection related documents should be maintained securely. A timeline for the uploading of all documentation to the shared drive should be established to ensure the process is transparent, complete, and accurate and based on merit in accordance with the Bayside's Recruitment policy. Further, all necessary documentation should be provided prior to the issuing of an offer of employment to the successful candidate.	Partly agree: a) All recruitment and selection related documents are currently maintained securely. The documents are either in the document management system or whilst being processed in the POC area and locked away in drawers if further work is required over a period of time. A formalised Administration procedure will be developed to ensure security of documents, timeline for the uploading of all documentation to the document management system. b) A checklist will be created to ensure all documents required for the recruitment of the particular position has been uploaded in the document Management and that all documents required from the preferred candidate has been received prior to offer of employment.	a) Manager, POC b) Coordinator, Workplace Relations	a) December 2019 b) December 2019

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R22	Formal end to end recruitment milestone timeframes should be established and reported upon, resulting in a more streamlined process	Partly agree: POC is providing a Quarterly Report to the Executive Committee which include a variety of HR measures. However, recruitment measures has not yet been provided as the e-recruitment system is being implemented in the coming months. However, one measure such as time to recruit will be presented in the 1th Quarterly Report for the 2019 - 2020 financial year. More sophisticated measures will be provided as the e- recruitment system is operational.	Coordinator, Workplace Relations	1st Quarterly Report for Financial year of 2019 -2020 December 2019
		Formal end to end recruitment milestone timeframes will be established and reported upon. The recruitment metrics will be included in the Quarterly Report to the Executive Committee		
R23	Revaluate the candidate application survey, and how the data collected may be used more efficiently to assist POC operations and strategy.	POC will review the candidate application survey to evaluate how to best use the survey, after interview process or as current at the application stage. The data will then be included into the Quarterly Report to the Executive Committee.	Coordinator, Workplace Relations	June 2020

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R24	Invest in using HR analytic tools. This will assist Bayside to identify any trends with the Talent Management of their employees, ensuring the long-term People and Culture strategy goals are achieved.	Partly agree: The first Quarterly Report was provided to the Executive Committee for the 3rd Quarter of the 2018 - 2019 financial year. This included Total Permanent FTE, Total FTE, Total Headcount, Total fTE per Department divided into permanent, Casual and fixed term staff, Sick and carer's days taken that quarter divided into department, number of Health and Well Being Days taken, Leave liability for long service leave and annual leave divided into departments, overtime cost divided into departments, sovertime cost divided into departments, employee demographics, labour turn over divided into departments including reason for leaving, length of service and age demographic of the terminations, New starters induction attendance, Learning and Development measures, Work Health and Safety measures such as Planned and unannounced inspections completed, corrective actions completed on time, compliance training completed, number of workers compensation and more. The reporting will mature with the iCHRIS being utilised more effectively (data being recorded in the system), the e-recruitment system and the Learning and Development System being implemented POC will have access to all required analytics to provide timely measurements and data to Executive Committee and Manager to manage human resources appropriately.	Manager, POC	June 2020

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R25	It was noted that a new recruitment solution is currently being developed and implemented within the People and Culture Team to help streamline and improve the overall experience and management of the entire recruitment process. This is due to be integrated into the Bayside over the next few months. In order to be effective, the roles and responsibilities relating to the entire process ownership should be reviewed to maximise effectiveness and improve the "value-add" provided by the People and Culture Team. Hiring Managers should also be asked for their feedback and input into the development of the new recruitment solution to ensure People and Culture have their buy-in. Expectations should also be evaluated and agreed upon to ensure the new solution meets the business needs.	The roles and responsibilities relating to the ownership of the recruitment process was reviewed during the development of the e-recruitment system. Hiring Managers have been consulted regarding the new e-recruitment process and they are very eager for the new system to be implemented.	Coordinator, Workplace Relations	December 2019

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R26	Develop performance assessment documents and frameworks in accordance with the nature of the role. We understand that at the time of the internal audit that the Performance Management assessment was under review and new tools are currently being developed for immediate implementation. As previously outlined, a formal succession plan should be developed to address contingency staffing needs, as well as to retain and develop Bayside employees. The details of the succession planning should be part of the overall Recruitment and Talent Management Strategy.	A new Performance Review process has been implemented with 5 different streams to cater for the different requirements of the positions as follows: • Directors Performance Review and Planning Process • Managers Performance Review and Planning Process • Coordinators Performance Review and Planning Process • Indoor Employees Performance Review and Planning Process • Outdoor Employees Performance Review and Planning Process	Manager, POC	Completed
		Bayside is also implementing an electronic performance review and planning process to align with the 10 year Council Strategic Plan, 4 years Delivery Program and 1 year Operational Plan.	Manager, POC	June 2020
		A Succession Planning Policy, procedure and processes will be implemented	Manager, POC	November 2020

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R27	Current advertising strategies should be evaluated on a regular basis to assess effectiveness in attracting the right candidates.	Partly agree: Bayside use Linkedin for advertising and facebook at times as well as different professional networks and Magazines (electronic or paper based). However, At the time when POC have data in relation to source of recruitment a better evaluation of advertisement strategy will be apparent in the interim POC will create a list of relevant advertisement medium available for different job families.	Coordinator, Workplace Relations	December 2019
R28	Advertising and sourcing of candidates do not currently involve leveraging social platforms (e.g. Linkedin), and only use Seek and Internal methods. Best Practice is to ensure the advertisement is placed where the target candidates will find it and will vary according to the position. The advantages of using social media include reaching passive candidates, highlighting Bayside's culture and this can reduce recruitment costs while also attracting a large source of talent.	POC will be reviewing the use of social media as an advertisement medium to better target candidates for the particular position.	Coordinator, Workplace Relations	August 2020
R29	The People and Culture Team should consider creating active formal Talent Pools for roles that are regularly recruited for or are for a specific area of expertise. We noted that this is currently completed in an informal manner. However, this should be more formal as Talent Pools have significant benefits to the organisation, such as reducing the cost of recruitment, reducing the time to hire and to identify candidates for further roles	POC will develop an active Talent Pool for roles that are regularly recruited for or where specific skills are required.	Manager, POC	June 2020

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APPENDIX D: Bayside'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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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 serior 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 Counciliors 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 attigated 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

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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	Same 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 Intringement Notice for breach of legislation	Localised raising of concerns by staff Isolated incidents and/or 'near miss' occurrences.	Tree removal in environmentally sensitive area leading to protest and local environmental concern lsolated infringement of environmental licence leading to fixed penalty

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Item No 5.4

Subject Final Rates Management Audit Report

Report by Natasha Balderston, Internal Auditor

File SF19/210

Summary

BDO completed an audit on Council's Rates Management processes and identified some areas of weakness. Six issues were identified and a corresponding nine recommendations were made to assist the business areas in closing the existing gaps. Only one of the six issues identified was rated as a high risk and it was in regards to debt recovery.

The Director City Performance and Manager Finance have provided Management responses to all the findings and recommendations. The Executive Committee has supported the comments.

Officer Recommendation

That the Risk & Audit Committee receives and notes the final internal audit report on Rates Management.

Background

This internal audit was undertaken as part of the Bayside Council's 2018/2019 approved Internal Audit Plan.

The main objective of the internal audit was to assess the adequacy of the design and effectiveness of the control environment over the management of rates. This included rate charging, collection, reconciliation and financial processing and reporting.

The internal audit considered and obtained an understanding of Council's end to end rates management processes and policies, including but not limited to the following elements:

- 1 Compliance with legislative requirements.
- 2 Process for levying rates, including valuation of properties.
- 3 Contract for the production, printing and mail-out of rates.
- 4 Relevant Council policies and procedures.
- 5 Systems and processes for payments (e.g. BPAY) and downloading of rates payments.
- 6 Analysis of payments (e.g. what percentage pay in full v each quarter).
- 7 Debt recovery process and contract.
- 8 Write off provisions.
- 9 Rebates and special provisions (e.g. pensioner rebates, hardship policy).
- 10 Fraud risks.
- 11 Process mapping.

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- 12 Succession planning.
- 13 Compliance with reporting requirements (e.g. reporting to Executive Team, annual reporting).

The audit identified six issues in total, with one high risk finding, two medium risk findings and three low risk findings. The findings, in descending order of severity, were as follows:

- 1 Debt recovery action needs to be effectively managed.
- 2 Customer service staff need to ensure that correct and completed information is recorded on application forms.
- 3 Monthly reports in rates management need to be provided to the Executive Team.
- 4 Service Level Agreement with mailing house needs to be formalised.
- 5 Policies, procedures and process mapping require finalisation and development.
- 6 Succession planning and lack of staff resources need to be addressed.

Nine recommendations were made in total to remediate these findings.

Details of all findings and recommendations can be found in the attached report.

Based on the findings and recommendations made, the overall audit has been rated as Medium Risk.

Management responses have been provided for all the findings and recommendations. The recommendations and management responses will be inputted into the Pulse system for tracking and follow up.

Attachments

FINAL - Internal Audit of Rates Management - July 2019 J

Item 5.4

BAYSIDE COUNCIL

Internal Audit of Rates Management

June 2019

BI



Distribution

Party	Title
Meredith Wallace	General Manager
Michael Mamo	Director City Performance
Matthew Walker	Manager Finance
David Grima	Co-ordinator Rates & Revenue
Fausto Sut	Manager Governance & Risk
Natasha Balderston	Internal Auditor
Sean Pascoe	Partner, BDO
Steve Kent	Associate Director, BDO

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Bayside Council - Internal Audit of Rates Management - June 2019

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Executive Summary

Inherent Limitations

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

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

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

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

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

Limitation of Use

This report is intended solely for the information and internal use of Bayside Council in accordance with the agreed Terms of Reference dated May 2019, and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than Bayside Council for our work, for this report, or for any reliance that may be placed on this report by any party other than Bayside Council.

Bayside Council - Internal Audit of Rates Management - June 2019

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Executive Summary

Executive Summary

1.1 Introduction

This internal audit was undertaken as part of the Bayside Council's 2018/2019 Approved Internal Audit Plan.

1.2 Objectives and scope

The main objective of the internal audit was to assess the adequacy of the design and effectiveness of the control environment over the management of Rates. This included rate charging, collection, reconciliation and financial processing and reporting.

The internal audit considered and obtained an understanding of Council's end to end rates management processes and policies, including but not limited to the following elements:

- 1. Compliance with legislative requirements;
- 2. Process for levying rates, including valuation of properties;
- 3. Contract for the production, printing and mail-out of rates;
- 4. Relevant Council policies and procedures;
- Systems and processes for payments (e.g. BPAY) and downloading of rates payments;
- 6. Analysis of payments (e.g. what percentage pay in full v each quarter);
- 7. Debt recovery process and contract;
- 8. Write off provisions;
- 9. Rebates and special provisions (e.g. pensioner rebates, hardship policy);
- 10. Fraud risks:
- 11. Process mapping;
- 12. Succession planning; and
- Compliance with reporting requirements (e.g. reporting to Executive Team, annual reporting etc).

This internal audit identified control weaknesses and provided recommendations to strengthen the general control environment.

Bayside Council - Internal Audit of Rates Management - June 2019

This internal audit in general, assessed whether rates are correctly calculated, issued, collected and reported in compliance with Council policy, procedures and relevant legislation.

The scope of this internal audit included the following elements:

- · General controls around the rating software used by Council;
- Controls around categorisation of properties to ensure accuracy;
- · Controls around the timely issue of Rate notices;
- Pensioner rate process and whether Centrelink is contacted to verify eligibility and resultant information recorded and maintained;
- Compliance of pensioner rebates to Council policies and applicable legislative requirements;
- Interest on outstanding debts (compliance with policy, accuracy, recording, communication, collection and maintenance process);
- · Fee waiver process (interest, legal costs or the rates);
- · Controls around changes to the Rates Master Data;
- · Controls around reversals and other credit journals; and
- Reconciliation process for rates, interest and legal fees.

The major risk areas for Council that were considered in this internal audit included the following:

- There are inadequate systems and controls in place to ensure that Rates are properly levied in accordance with adopted Revenue policy and procedures;
- Non-compliance with the requirements of the Local Government Act 1993 (LG Act) and Local Government (General) Regulation 2005 (LG Regulation); and
- · A sound approach to the management of risk has not been maintained.

The period of this internal audit was from 1 July 2018 to 30 April 2019

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Executive Summary

1.3 Approach

The following approach was taken for the internal audit:

- Held an opening meeting with key Council stakeholders to finalise the objectives, scope, timetable for the internal audit;
- Reviewed and developed an understanding of the current Rates processes, risks, relevant policies, procedures and systems (refer Appendix A);
- Interviewed relevant key Council Rates personnel as part of a walkthrough of key procedural and control practices to assess the design of the control environment (refer Appendix B for a list of interviewees);
- Undertook detailed testing of the application of procedures and internal controls to determine compliance levels with relevant policies, procedures, guidelines and legislation;
- Assessed the design and effectiveness of the internal control environment after taking into consideration of the key risks abovementioned and those disclosed during the conduct of the internal audit:
- Reviewed the current processes and controls in consideration of better practice for the purposes of identifying possible areas for improvement;
- Evaluated the findings from the audit work undertaken using the Council's risk rating scale (refer Appendix D);
- Conducted an exit meeting with key Council stakeholders following completion of our fieldwork to discuss:
 - Our findings;
 - Recommendations for control improvements in relation to those findings;
 - Management's response to our findings and recommendations.

Bayside Council - Internal Audit of Rates Management - June 2019

 Prepared Draft and Final Reports of findings and recommendations for improvement and cleared with Management.

1.4 Summary of key findings

During the internal audit, we observed that Council has a number of key control processes in place over Rates management as highlighted below. However, there are several areas that require Senior Management attention and improvement. We identified six areas for improvement. These six areas are briefly outlined below and in more detail in Section 2 of our report.

We have addressed each of the scoping elements and report on a 'by exception' basis.

Positive findings

The following areas were identified during the course of the internal audit as positive aspects of the current rates management control environment within Council:

- It was found in the rates management processes that there is compliance with Council's relevant draft policies and procedures. The draft policies are due to be formalised in June 2019.
- Bayside Council uses PATHWAYS to control the levying of rates, the
 application of the rate peg, apply the valuations of properties as per the
 Valuer-General's assessments and manage the collection of rate
 payments. There are appropriate controls in place that provide
 assurance that the categorisations of properties are accurately made.
 The internal controls within the applied processes also ensure that rates
 are levied in accordance with the Council's Revenue Policy and
 procedures:
- The Council has in place appropriate systems and processes for the
 collection and downloading PATHWAYS of rate payments made by a
 choice of alternative methods. These methods are BPAY, logging into
 the Council's website and paying by Visa or MasterCard, paying at

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Executive Summary

Australia Post locations, paying at Commonwealth Bank Branches, posting payment to the Council, by telephone using Visa and Mastercard, and making payment in person at the Council's office;

- Rebates and special provisions, such as pensioner rebates and Council's
 Hardship Policy, fee wavering are accessed and applied appropriately
 upon application on a case by case basis. In the case of pensioner
 rebates, listings from Centrelink are used to verify the eligibility of
 applications received. Records are appropriately maintained to support
 the granting of rebates;
- There are appropriate levels of segregation of duties that ensures that
 there is a minimisation of the potential risk of fraud. This includes
 controls over the uploading of payments, data access rights, and the
 restrictions over ability to make changes to the Rates Module Data in
 PATHWAYS; and
- There is an appropriate level of internal controls such as review and approval that is in place over reversals, credit journals, and interest charges on outstanding debts. These controls include compliance with current draft policy and procedures.

Areas for improvement

There are nine recommendations made as a result of this internal audit.

These recommendations are grouped in six areas, with three areas of LOW risk, two areas of MEDIUM risk and one area of HIGH risk being identified for improvement.

We set out below an outline of the key areas for improvement:

The Council has very high level of bad and doubtful debt arrears
that have been carried over from the former Councils. These former
Councils did not have appropriate debt recovery processes and write
off provisions that are applied to rates. Council is currently trialling
a debt collection agency that is on the Local Government

- Procurement suppliers list, but there is no formalised agreement in place as yet. (HIGH)
- Customer Services are recording incorrect or incomplete information on Concession Rate rebate application forms that is resulting in additional correction work to be conducted by Rates officers, delaying the processing of these applications. (MEDIUM)
- It was found that there are issues concerning compliance with relevant legislative and reporting requirements, including appropriate disclosure in the Council's Annual Report and the accompanying Special Schedule 2. There is also no regular reporting on the analysis of rates collections, the percentage of rates collected and the total amounts of rates outstanding to Council's Executive Team. (MEDIUM)
- 4. The Council does not currently have in place an appropriate contract for the production, printing and mail-out of rate notices to ratepayers ensuring that rates notices are distributed to ratepayers on a timely basis. Council is currently trialling a mailing house. This assists in the collection of rate payments by due dates identified on the rates notices and in the timely collection of revenue.
- No process maps exist that document the current rates management process conducted in the Council. All Council's relevant rate policies are also in draft form only. (LOW)
- 6. There is no succession plan in place to mitigate the possibility that current staff performing rates management processes may resign from the Council or move into another role. In addition, the Rates area does not have adequate resources to address both rates related issues that have been inherited from the former Councils and manage day-to-day tasks. (LOW)

We have also included in Appendix D, a Summary of Recommendations for Action. This can be used for tracking the implementation of recommendations.

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Executive Summary

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1.5 Overall Engagement Rating

The overall residual risk across the process area is rated as MEDIUM, using the rating table attached in Appendix D.

Rationale for the Risk Rating- there were no extreme risk issues identified during our internal audit. Risks are reasonably well managed with the exception of six areas associated with our detailed findings noted above and in our report, which require the attention of senior management so that appropriate controls can be set in place.

The recommendations in our report broadly represent control design / effectiveness deficiency issues, and process improvement opportunities. Our detailed findings are included in Section 2 of our report.

1.6 Acknowledgement

We would like to take this opportunity to thank all staff interviewed from Bayside Council for their co-operation and assistance during the course of this internal audit.

1.7 Report clearance

The contents of this report has been discussed and agreed with Michael Mamo, Director City Performance, Matthew Walker, Manager Finance, and David Grima, Co-ordinator Rates & Revenue.

Yours sincerely

Sean Pascoe

Partner

BDO Risk Advisory

Bayside Council - Internal Audit of Rates Management - June 2019

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Detailed findings

Detailed findings

2.1 Debt recovery action needs to be effectively managed

Risk Rating

High

Observations

We were informed that the former Botany Bay Council had not conducted any debt recovery activity for 5 years prior to the Council's merger with Rockdale City Council. Bayside Council has also not conducted any debt recovery activity since its creation. Bayside Council uses PATHWAYS to manage its rates and charges, and perform income reconciliations. The former Rockdale City Council's rate system is also integrated in PATHWAYS. However, the former Botany Bay Council rates systems sat in AUTHORITY and these systems were not well maintained in terms of the retention of records. Bayside Council staff have had issues reconciling the rates records from Botany Bay Council. We were informed that all available information that was held in AUTHORITY has been migrated into PATHWAYS. Bayside Council currently is in a high arrears position amounting to approximately \$2.5 million as at 30 April 2019 which represents 9.8% of total income. The current LG benchmark is 5%. This percentage represents bad debts that have been carried over from the former Botany Bay and Rockdale Councils. We were informed with the commencement of debt recovery activities that this percentage should be able to be reduced to 6% by December 2019. Rates staff have been unable to perform any aging of debt analysis because of the lack of documentation retained by the former Botany Bay Council. There has also been no aging of debt analysis performed on former Rockdale City Council debts either. We were also informed that the Recovery Ratio calculation format was only agreed to by the Manager, Finance and the Director City Performance in April 2019 and will be used for the first time in June 2019.

Bayside Council commenced debt recovery work on 2 April 2019, with 1075 files being sent to its debt collection agent, Recoveries & Reconstruction, who are on the LGP preferred suppliers list. Bayside Council are only trialing Recoveries & Reconstruction and there is currently no official agreement in place. We were informed that if Council decides to appoint this debt collection agency following the current trial, then Council will enter into an agreement with them for a fixed term.

Rates staff also stated that reminders/ warnings on overdue rates have just started to be recorded on rate instalment notices.

An additional underlying cause of the lack of debt recovery action is also that the Revenue area does not have enough staff to implement any proactive recovery action. Additional staff are required to be able to work through the large number of bad debts.

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Detailed findings

Risks / implications

- . There is no recovery action taken by Council to address its high level of bad debts / doubtful debts in arrears.
- · Council's cash flow is being adversely impacted by the high level of bad and doubtful debts.
- · There is a lack of staff resources required to perform recovery actions.

Recommendations	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R1 it is recommended that Senior Management formalise an agreement with the debt collection agency of its choice to increase its debt recovery action in a timely basis.	Agreed.	Co-ordinator Rates & Revenue	30 November 2019
R2 It is recommended that management review the current roles and responsibilities of staff in the Rates team to ensure that from the Council's position, bad debts and the recovery actions of the high level of bad debts / doubtful debts are appropriately managed, as well as there being a liaison point between the Council and the debt collection agency.	Agreed.	Co-ordinator Rates & Revenue	28 February 2020

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Detailed findings

2.2 Customer Service staff need to ensure that correct and complete information is recorded on application forms

Risk Rating

Medium

Observations

Concession Rates Rebate application forms are received by Customer Services and then distributed to the Rates Officer for checking and processing. We examined a small number of newly received Concession Rates Rebate applications that been received by the Rates Officer from Customer Services.

From a total of five applications examined, all five application forms were identified as having either incorrect or incomplete information recorded on them. The following six errors were found on these five submitted application forms:

- · One application did not note the home/property address of the applicant only a PO Box address;
- · On one application the applicants title was incorrect;
- · One applicant was given a full pension rebate when the applicant was only entitled to a half year rebate;
- · The name on one application form was incomplete;
- . On one application form the applicants surname was incorrectly recorded; and
- . For one application, a copy of the applicants pension card was not attached.

Customer Service staff should be stamping application forms on receipt, and conducting checks on the valid date of the pension card, the transfer date of property into the pensioners name, and the address and name on the application. We were informed that occasionally Customer Services staff call the Rates staff if any assistance is required in advising customers about these applications. As a result of errors and/ or incomplete information, the processing of forms is being delayed as the Rates Officer has to dedicate additional time to making corrections prior to processing the applications.

Risks / implications

- · Errors, incorrect and incomplete information is recorded on Concession Rate Rebate applications.
- · Concession Rate Rebate applications are unable to be processed or delayed in their processing due to errors and being incomplete.

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Detailed findings

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R4 It is recommended that Senior Management ensure that Customer Service staff have adequate knowledge and receive appropriate training in what information is required when Concession Rates Rebate application forms are submitted.	Agreed - training is to be provided to all Customer Service staff in addition to providing documented processes and checklists for accepting applications	Co-ordinator Rates & Revenue	30 November 2019

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Detailed findings

2.3 Monthly reports on rates management need to be provided to the Executive Team

Risk Rating

Medium

Observations

There are currently issues concerning the compliance with relevant legislative and reporting requirements, including appropriate disclosure in the Council's Annual Report and the accompanying Special Schedule 2. There has been no reporting on the analysis of rates collections, the percentage of rates collected and the total amounts of rates outstanding to Council's Executive Team. We were informed that the reporting on rates issues to the Executive Team would be commencing in June 2019.

In addition, for noting, Special Schedule 2 for the last three years for both Rockdale Council and Botany Bay Council were supplied to the NSW Auditor-General on 17 May 2019. We note that there have been fissues with the Auditor-General providing a clean opinion on the financial statements for the last two years (2016/2017 and 2017/2018). These issues have been party associated with the inability to obtain supporting documentation for the verification of revenue and perform the reconciliation of land values of the previous Botany Bay Council.

Risks / implications

There is no monitoring or oversight on the rates management system by the Executive Team.

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Detailed findings

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R5 It is recommended that regular monthly reports are provided to the Executive Team on rate collections, outstanding debts, etc. These reports should be reviewed and signed by the Co-ordinator Rates and the Manager, Finance prior to submission to the Executive Team.	Partially agree. Regular monthly reporting is to be provided to the Manager Finance and Director City Performance on rates outstanding. This is to be reported annually to the Executive and Council as part of the annual Financial Statements.	Co-ordinator Rates & Revenue	31 August 2019 and ongoing

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Detailed findings

2.4 Service Level Agreement with mailing house needs to be formalised

Risk Rating

LOW

Observations

The rate notices from the former two Councils-Rockdale City Council and Botany Bay Council were merged into a new rate notice template in July 2018. A submission for the current 2018/2019 Service Level Agreement received from Forms Express (a Victorian service provider) was examined. Forms Express is the Council's current mailing house. We were informed that a signed service agreement/quote acceptance is entered into each year. We did not sight a formalised contract with Council's existing mailing house for the production and printing of rate notices. Council should have in place an appropriate contract for the production, printing and mail-out of rate notices to ratepayers, ensuring that rates notices are distributed to ratepayers on a timely basis. This also assists in the collection of rate payments by due dates identified on the rates notices and in the timely collection of revenue.

Risks / implications

- · Rate notices may not be distributed to ratepayers in a timely manner.
- Undue delays in the distribution of rate notices may impact upon the collection of rates revenue.

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R3 It is recommended that Council formalise the service level agreement with a mailing house of its choice to ensure continual and reliable service provision in the mail out of rates notices.	Agreed - an RFQ is to be conducted for the provision of the service	Co-ordinator Rates & Revenue	31 March 2020

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Detailed findings

2.5 Policies, procedures and process mapping require finalisation and development

Risk Rating

Low

Observations

The relevant policies supplied in support of the rates management system were, at the time of this internal audit, in draft form. We were informed that this suite of policies would be endorsed by Council in June 2019.

The draft Rates and Sundry Charges Recovery Policy was reviewed and compared to examples of policies from other councils. It is recommended that this policy should be further developed to include coverage of the following areas- principles and objectives of the policy; Council strategies; rates and annual charges details; payment methods; concessions, interest on overdue rates; recovery of rates and annual charges- hardship, arrangements to pay, final notice, letters of demand; debt recovery; hardship; privacy and confidentiality; implementation; and any relevant attachments i.e. application forms.

Currently, there is no process mapping or flowcharting of the rates payment system. However, there is an instruction manual that has recently been updated to reflect the current process. This instruction manual would be enhanced by detailed process mapping of the rates payment system. Process mapping/ flowcharting provides insight into specific processes within an organisation that can help staff brainstorm ideas for process improvement, increase communication and provide process documentation. Process maps/ flowcharts visually document the end-to-end process and identify who within the organisation is ultimately responsible and accountable for specific tasks within the process across the organisation. This process mapping will also help in the identification of areas that are suffering from a lack of adequate staff resources to effectively conduct processes associated with rates management.

Risks / implications

- Staff may not be aware of the complete rate management processes. Opportunities for process improvement may be lost through a lack of awareness of the complete process.
- The current suite of policies may remain in draft form and not hold the weight and enforcement of formalised policies and result in inconsistent approaches and decision-making.

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Detailed findings

Recommendations	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R6 it is recommended that Senior Management ensure that all policies and procedures relevant to rates management are formalised, as soon as practicable.	Agreed. An inventory of relevant policies and procedures is to be created with target due dates for completion based on priority.	Co-ordinator Rates & Revenue	List of procedures - 31 August 2019 Documented policies and procedures - 30 June 2020
R7 It is recommended the current rates management process be mapped/flowcharted, highlighting specific tasks and responsibilities within both the Rates Team and other relevant Business areas involved in processing rates.	Agreed.	Co-ordinator Rates & Revenue	31 December 2019
R8 It is recommended that the current draft Rates and Sundry Charges Recovery Policy be reviewed and further enhanced.	Disagree. This policy was recently reviewed against the latest OLG guidelines and assessed in most cases to be either in line or better than the requirements set out in the guidelines. The policy was adopted by Council in June 2019 and is due to be reviewed every 3 years.	Co-ordinator Rates & Revenue	No further action required

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Detailed findings

2.6 Succession planning and lack of staff resources need to be addressed

Risk Rating

Low

Observations

Presently, rates management is primarily the responsibility held by the Co-ordinator Revenue Management and the Senior Rates and Revenue Officer. The management of rates within any Council is a key business role. The positions of the Co-ordinator Revenue Management and the Senior Rates and Revenue Officer are supported by two other staff members. We were also informed that staff in the area had recently resigned and are yet to be replaced. The current staff are dedicating considerable amounts of time addressing issues that have been inherited from the previous Botany Bay Council, including lack of rate reconciliations, records management issues, and the re-classification of non-rateable properties that have been taken over by RMS for land development, which Bayside Council is still rating. As well as the abovementioned tasks, the routine daily tasks such as debt recovery are not being given adequate attention.

There is also no current succession plan in place for the staff responsible for processing rate payments and rates management. Management need to take proactive action to ensure that the Council has appropriate staff resources with detailed knowledge and skills to perform roles and responsibilities required for effectively managing the rates process and rates management system on a day to day basis, in anticipation of the possibility of staff movements and resignations. This action may include the appointment of additional staff, and employee training and development to enable individual staff to be able to step into these role, in anticipation of future key staff needs of the Council, before becoming an emergency situation.

Risks / implications

- · Key rates staff may decide to resign from the Council.
- Council is left in a situation where there are no staff who have the experience and knowledge to effectively manage its rates process.

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Detailed findings

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R9 It is recommended that Senior Management formulate a succession plan to address the potential risk of the loss of key staff members in the rates management area.	A succession plan has already been established and implemented as part of the current structure with a Senior Rates Officer position established to support the Co-ordinator Rates & Revenue.	Co-ordinator Rates & Revenue	No further action required

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Appendix A

Appendix A- List of documents reviewed

No.	Title of document
1	Draft Rates Hardship Policy 2019
2	Draft Rating Policy- undated
3	Pro forma - Council Rates Notice 2018/2019
4	Draft Rates and Sundry Charges Recovery Policy 2019
5	Bayside Process- Recovery of Rates and Sundry Accounts (undated)
6	Proposal : Service Level Agreement submission between Bayside Council and Forms Express for supply of Rates Notices to Council dated May 2018
7	Bayside 2030-Delivery Program 2018-2012; Operational Plan 2018-2019
8	Bayside Council 2017-2018 Annual Report
9	Procedure: Downloading statements and BPAY childcare procedures
10	VG Supplementary Listings 1/7/18
11	2017-2018 Notional Income- Rates, Prediction Summary Report by rate Type 6/7/18
12	Bayside Rate Arrears position 30/4/19 Excel spreadsheets- %, instalments, PATHWAYS Report

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Appendix A

No.	Title of document
13	2018/2019 Notional Yield- Rates Generation documentation
14	Adoption of 2017-2018 Operational Plan- Council minutes
15	Adoption of 2018-2019 Operational Plan extract Extraordinary Council meeting 27/6/18- re: amended rating tables for Rockdale & Botany Valuation District (within Revenue Policy)
16	Statement of Compliance 2018-2019 Permissible Income working papers signed 30/4/19
17	Waste budget and calculations sheets 18/19
18	Bayside Non- Rateable worksheets 1/7/18
19	Special Schedule 2 Permissible Income workpapers 2018/2019 Botany
20	Rating return worksheets -Botany 230/6/18

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Appendix B

Appendix B- List of staff interviewed

No.	Name of Staff	Position Held
1	Natasha Balderston	Internal Auditor
2	David Grima	Co-ordinator Revenue Management
3	Anna Maunder	Senior Rates & Revenue Officer
4	Vincenza Festa	Rates Officer

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Appendix C

Appendix C- Summary of Recommendations for Action

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion
R1 It is recommended that Senior Management formalise an agreement with the debt collection agency of its choice to increase its debt recovery action in a timely basis.	Agreed.	Co-ordinator Rates & Revenue	30 November 2019
R2 It is recommended that management review the current roles and responsibilities of staff in the Rates team to ensure that from the Council's position that bad debts and the recovery actions of high level of bad debts / doubtful in arrears are appropriately managed as well as being the liaison point between the Council and the debt collection agency.	Agreed.	Co-ordinator Rates & Revenue	28 February 2020
R3 It is recommended that Council formalise the service level agreement with a mailhouse of choice to ensure continual and reliable service provision in the mailout of rates notices in the LGA.	Agreed - an RFQ is to be conducted for the provision of the service	Co-ordinator Rates & Revenue	31 March 2020
R4 It is recommended that Senior Management ensure that Customer Service staff have adequate knowledge and receive appropriate training in what information is required when Concession Rates. Rebate application forms are submitted.	Agreed - training is to be provided to all Customer Service staff in addition to providing documented processes and checklists for accepting applications	Co-ordinator Rates & Revenue	30 November 2019
R5 it is recommended that there are regular monthly reports provided to the Executive Team on rate collections, outstanding debts, etc. These reports need to be reviewed and signed by the Co-ordinator Rates and Manager, Finance prior to submission to the Executive Team.	Partially agree. Regular monthly reporting is to be provided to the Manager Finance and Director City Performance on rates outstanding. This is to be reported annually to the Executive and Council as part of the annual Financial Statements.	Co-ordinator Rates & Revenue	31 August 2019 and ongoing

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Appendix C

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion
R6 It is recommended that Senior Management ensure that all policies and procedures relevant to rates management are formalised, as soon as practicable.	Agreed. An inventory of relevant policies and procedures is to be created with target due dates for completion based on priority.	Co-ordinator Rates & Revenue	List of procedures - 31 August 2019 Documented policies and procedures - 30 June 2020
R7 It is recommended the current rates management process be mapped/flowcharted, highlighting specific tasks and responsibilities within both the Rates Team and other relevant Business areas involved in processing rates.	Agreed.	Co-ordinator Rates & Revenue	31 December 2019
R8 It is recommended that the current draft Rates and Sundry Charges Recovery Policy be reviewed and further enhanced.	Disagree. This policy was recently reviewed against the latest OLG guidelines and assessed in most cases to be either in line or better than the requirements set out in the guidelines. The policy was adopted by Council in June 2019 and is due to be reviewed every 3 years.	Co-ordinator Rates & Revenue	No further action required
R9 it is recommended that Senior Management formulate a succession plan to address the potential risk of the loss of key staff members in the rates management area.	A succession plan has already been established and implemented as part of the current structure with a Senior Rates Officer position established to support the Co-ordinator Rates & Revenue.	Co-ordinator Rates & Revenue	No further action required

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Appendix D

Appendix D - 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	

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Appendix D

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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Appendix D

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 marry 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

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Appendix D

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

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Item No 5.5

Subject Final Accounts Payable Health Check Report

Report by Natasha Balderston, Internal Auditor

File SF19/210

Summary

Internal Audit completed a health check on Council's Accounts Payable processes and identified five areas for improvements and 10 recommendations to assist in closing the existing gaps. The audit assessed Council's accounts payable processes to be Low Risk. The Director City Performance and Manager Finance have responded to the recommendations with comments, actions and timeframes. Only one recommendation relating to monthly accruals is not supported by management.

Officer Recommendation

- 1 That the Risk & Audit Committee receives and notes the final health check report on Accounts Payable.
- That the Risk & Audit Committee requests management to implement an interim measure to monitor the segregation of duties within the TechnologyOne user access for the Finance and Procurement modules.

Background

When Bayside Council was formed, Internal Audit developed a health check program to assist the new organisation in developing a robust control framework for four business areas. These business areas were chosen either because they were new business units for the organisation or were deemed high risk.

The initial program proved beneficial to the organisation and as a result, Internal Audit has continued to include health checks as part of its yearly audit plan.

In FY 2018/19, Internal Audit undertook a health check of the Accounts Payable section. The purpose of this health check was to:

- Inform the business areas of the standard controls expected within the Accounts Payable function
- Allow the business area to conduct a self-assessment on the availability and robustness of theses controls
- Conduct an independent check on these controls
- Identify areas for improvements
- Provide realistic recommendations to improve the control environment of the business unit.

Item 5.5

The health check identified five areas for improvements, with 3 findings rated as medium risk and 2 findings rated as low risk. Ten recommendations were made in total to remediate these findings.

Internal Audit noted that there was an issue with segregation of duties. While Internal Audit was able to confirm that all AP Officers were allocated the role of "AP Officer" in the TechOne system and that the role of "AP Officer" has the following access rights:

- Supplier invoice creation
- Credit note creation
- Payment (EFT and Cheque) preparation
- Creditors journal creation
- GST journal creation

A user profile and access rights list for TechOne was not available due to TechOne reporting limitations. In addition, Internal Audit noted that the profiles and access rights are not regularly reviewed.

The Manager Finance has advised that this is also an issue which had previously been identified by the Audit Office.

While this functionality can be configured as part of the TechOne reimplementation project, the establishment and implementation of this is a long term project. It is necessary for a compensating control to be implemented in the interim to remediate this issue.

Additionally, Management has accepted and agreed to nine out of the ten recommendations made. They have disagreed with the following recommendation:

"All outstanding supplier invoices should be reviewed and recorded monthly to ensure the accuracy of liabilities".

Management comments to this recommendation were as follows:

"All invoices are to be processed within Council's payment terms. Monthly accruals are not supported due to increased and unnecessary administration as well as the inclusion of all outstanding commitments already reported in the monthly budget reports. The accrual of invoices is to continue to be captured as part of the end of year processing".

All findings, recommendations and management comments will be inputted into the Pulse system for tracking and follow up.

Attachments

Final - Accounts Payable Health Check Audit Report - July 2019 J.

Item 5.5

Bayside Council ("Bayside")

Accounts Payable Health Check

July 2019





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, 8DO

Bayside Council - Internal Audit of Accounts Payable - July 2019

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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 December 2018 and is intended solely for the information and internal use of Bayside and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than Bayside or for any reliance that may be placed on this report by any party other than Bayside.

Bayside Council - Internal Audit of Accounts Payable - July 2019

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Executive Summary

EXECUTIVE SUMMARY

1.1 Background

In the last two - three years, Internal Audit has focused on the development and implementation of a health check program for high risk areas across Bayside Council (BC) operations.

Various health checks have been undertaken and remain ongoing, with these covering:

- Procurement;
- External Contractor Management;
- · Management of Employees' Mandatory Licenses, Tickets and Training; and
- Payroll

Accounts Payables was identified as another area where a health check was to be performed.

A Terms of Reference (TOR) document dated December 2018 sets out the purpose, scope, approach and deliverables in relation to the proposed internal audit.

1.2 Objective and scope

The purpose of this internal audit is to perform a health check on Accounts Payable based on BC's health check process (Steps 1-8).

The scope of the internal audit is limited to the Accounts Payable process and was completed using the following process:

Step 1: Notification - Informing the relevant Manager and process control owner of the proposed health check and the intended scope of the program.

Step 2: Audit Preparation - Preparing an internal control framework, in the form of a questionnaire, which is in line with best practice.

Step 3: Audit Consultation - A preliminary meeting is set with the process control owner to introduce and review the Framework.

Step 4: Interactive Workshop 1 - In-depth discussion with process control owner and their team on implementation, adequacy of controls and additional controls.

Step 5: Framework Assessment (performed by process owner) - Recording of actual controls and additional controls required to strengthen the process. (Process owner will require about 8 weeks to complete this section).

Step 6: Interactive Workshop 2 - Review the current and additional control to ensure they are relevant, appropriate and effective. Agree timeframes on the implementation of controls.

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Executive Summary

Step 7: Audit Testing - Test the controls to ensure they have been effectively implemented and are working robustly.

Step 8: Report - Report to Executive and the Risk and Audit Committee on the progress of the health check and the implementation of the controls.

1.3 Approach

The following approach was undertaken during the internal audit:

- · We obtained the Accounts Payable Process and Operational Procedures for review;
- Assessed the internal control framework in line with Accounts Payable better practice and to determine the control objectives;
- identified and documented the control activities related to the control objectives;
- Discussed the identified controls and activities with the Governance & Risk Manager;
- Met with the process owner to introduce and review each component of the framework;
- Discussed and reviewed with the process owner the existing controls and assessed if additional controls are required and agreed timeframe for implementation of controls;
- Tested controls to ensure they have been effectively implemented (the documentation reviewed is listed in Appendix B and the key stakeholders interviewed
 are listed in Appendix C);
- · Conducted an exit meeting with key Council stakeholders following completion of our fieldwork to discuss:
 - Our findings;
 - Recommendations for control improvements in relation to those findings;
 - Management's response to our findings and recommendations; and
- . Provided a report to the Executive and the Risk and Audit Committee on the progress of the health check and the implementation of the controls (this Report).

Bayside Council - Internal Audit of Accounts Payable - July 2019

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Executive Summary

1.4 Status of controls

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

Control Objective Ref.	Control Objectives	Total # of Controls	Complete	In- progress	Not started	Residual Risk
2	To ensure that payment documents are processed correctly by having adequate segregation of duties in the payment process (goods and services received, including creating the requisition and purchase order, receiving the invoice and making the payment).	3	ż	3	-	Medium
3	Accountability ensures that you review and approve invoices for payment based on delegated authority, signed agreements, contract terms, and purchase orders.	.4	- 11	3	e	Medium
4	AP processing, reviewing, monitoring and reconciliation activities confirm that payments are made for approved purchases and are being billed correctly.	15	10	9	2	Medium
1	To ensure that the control environment is adequate for the Accounts Payable (AP) operations.	8	В	14	-	Low
5	To ensure that the AP transactions are recorded in the correct period.	1	- 1		1	Low
6	To ensure that invoices are recorded and paid in a timely manner.	3	3	+		Low
7	To ensure that AP related matters are reported to appropriate parties for information and decision making.	3	1	*	2	Low
	OVERALL	37	23	9	5	Low

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Executive Summary

1.5 Summary of key findings

Since the health check completed in early 2019, some improvements have been made in relation to the implementation and quality of controls in order to manage operational and compliance risks. As highlighted in Section 1.4 above, a significant number of controls have been implemented. However, there are some controls that are in the process of being implemented (9 controls) or not started (5 controls). As recognised by Management, there continues to be room for further improvement. We have summarised below the improvements and controls that are being implemented as shown in Section 1.4 above:

- Section 2.1- Access rights for the AP Officer and other procurement and payment related roles should be independently reviewed periodically, and documented to ensure the appropriate access rights have been assigned. (Risk: Medium)
- Section 2.2 The approval of refunds should be in accordance with the Council's delegations of authority. (Risk: Medium)
- . Section 2.3 The procedures for AP processing, reviewing, monitoring and reconciliation should be improved. (Risk: Medium)
- Section 2.4 All outstanding supplier invoices should be reviewed and recorded to ensure the accuracy of liabilities. (Risk: Low)
- Section 2.5 The AP aging report should be provided to management for better expense monitoring, overseeing of payments and cash flow management. Key
 Performance Indicators (KPIs) should be identified and performance reviews should be based on the identified KPIs. (Risk: Low)

Please note that there were discussions with the Financial Services Coordinator and Director City Performance and additional information and evidence was required but not provided. As a result, those findings and recommendations have been left on the report.

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

We have also included in Appendix D, a Summary of Recommendations for Action. This can be used for tracking the implementation of recommendations.

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Executive Summary

1.6 Overall Risk Rating

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

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

1.7 Acknowledgement

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

1.8 Report clearance

The content of this report has been discussed and agreed with Ward Kirshaw, Coordinator Financial Services and other key stakeholders.

Yours sincerely

Sean Pascoe

Partner, BDO Risk Advisory



2. DETAILED FINDINGS

Risk Rating Medium

2.1. Segregation of Duties (CO2)

Observations

Although we have confirmed that all AP Officers were allocated the role of "AP Officer" in the TechOne system and that the role of "AP Officer" has the access rights set out below, a User Profile and access rights list for TechOne was not available for the internal audit due to TechOne reporting limitations. In addition, the profiles and access rights are not regularly reviewed.

- · Supplier invoice creation
- · Credit note creation
- · Payment (EFT and Cheque) preparation
- · Creditors journal creation
- · GST journal creation

Risks/Implications

- ▶ There is a risk of inappropriate functions assigned to the role of "AP Officer" or other procurement and payment related roles.
- There is a risk of unauthorised approval, access to or changing of purchasing and payment data.

Recommendations

R1. Management should work with the TechOne vendor to explore alternative options of reviewing user access rights and user profiles to ensure the appropriate access rights have been assigned and the required segregation of duties are in place.

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Man	agement Comments	Role it name of officer responsible for action	Target Completion Date
R1.	Agreed - if possible a report will be developed to report on the access rights in Technology One for period review. This will be included as	Manager Finance	30 June 2020
	part of the scope of the Technology One upgrade project.		

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2.2. Accountability, Authorisation and Approval (CO3)

Risk Rating Medium

Observations

Two of the five sampled 'Request for Refund' forms (set out below) were not approved as per delegation of authority limit, although the additional approval by the Finance and Procurement Team for bond/deposit refunds were obtained.

No.	Suppliers	Amount	Payment Purpose	Approver	Authorised approval limits	Payment advice ref
1	Rock Finance Pty Ltd	\$ 136,530	Bond Refund	Coordinator Public Domain	\$ 50,000	229225
2	Vista Mascot Pty Ltd	\$ 223,135	Damage/security deposit	Coordinator Public Domain	\$ 50,000	229183

Risks/Implications

Non-compliance with Council's delegations of authority and unauthorised payment.

Recommendation

R2. The approval of refunds should be in accordance with the Council's delegations of authority.

Mana	gement Comments	Role It name of officer responsible for action	Target Completion Date	
RZ.	Agreed. Improved processes and controls are to be developed and implemented to ensure refunds are only processed in line within approved delegations.	Manager Procurement	30 September 2019	

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2.3. Processing, Reviewing, Monitoring and Reconciliation (CO4)

Risk Rating Medium

Observations

The following exceptions were noted in relation to the payment process:

i. For three out of 25 payment samples (refer below), Purchase Orders ("PO") were issued after suppliers invoice dates:

W:	Supplier	upplier Payment Type Date paid		Payment Ref	Amount
1	14570 - HWL Ebsworth Lawyers	EFT	9/01/2019	23581	\$ 4,519,90
2	10609 - Statecover Mutual Limited	EFT	20/02/2019	24546	\$ 214.75
3	18104 - Ausgrid	EFT	6/02/2019	24264	\$ 52,900.75

Currently, the Financial Services Coordinator provides a monthly update to the Procurement Team on all purchase orders that had been raised after the invoice date. However, further action is not taken by either the Procurement or AP team to reduce the occurrence of Purchase Orders being raised after the invoice date.

For eight out of 25 payments sampled (refer below), Supplier names were not stated on the Payment Advice. We were advised by the Systems Coordinator that this
is a TechOne set-up deficiency.

	Supplier	Payment Type Date paid		Payment Ref	Amount
-1	12611 - Veolia Environmental Services	EFT	13/02/2019	24399	\$ 7,089.26
2	17593 - W & F Pascoe Pty Ltd	EFT	3/04/2019	17593	\$ 71,945.72
3	19336 - GM Urban Design & Architecture	EFT	10/04/2019	19336	\$ 39,938.80
4	25084 - Rock Finance Pty Ltd	Cheque	19/02/2019	229225	\$ 136,530.00
5	24921 - Vista Mascot Pty Ltd	Cheque	17/01/2019	229183	\$ 223,125.00

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6	24960 - Chalmers Crescent Pty Ltd	Cheque	24/01/2019	229190	\$ 29,969.10
7	25195 - IBT Investments	Cheque	28/03/2019	229264	\$ 13,321.00
8	25175 - Vito Russo	Cheque	13/03/2019	229256	\$ 6,700.00

iii. For three of 25 payments sampled (refer below), supplier addresses were not stated on the payment advice. We were advised by the Systems Coordinator that this is a TechOne set-up deficiency.

	Supplier	Supplier Payment Type Date paid		Payment Ref	Amount
1	14570 - HWL Ebsworth Lawyers	EFT	9/01/2019	23581	\$ 4,519.90
2	10609 - Statecover Mutual Limited	EFT	20/02/2019	24546	\$ 214.75
3	18104 - Ausgrid	EFT	6/02/2019	24264	\$ 52,900.75

iv. AP reconciliations for aging and clearing accounts have not been performed. Although the Financial Services Coordinator confirmed that reconciliations are conducted, the reconciliation statements were not provided for the audit.

v. For nine out of 25 payments sampled (refer below), supplier invoices were not paid on time in accordance with the council payment terms, which is 30 days.

*	Involce Date	Supplier Invoice NO	Amount (S) (incl GST)	Payment Term	Payment Date	No. of days paid after invoice date	Payment Ref
1	6/01/2019	2201687809	\$ 7,089.26	30 days	13/02/2019	38	24399
2	13/03/2019	(NVDSPN013732	\$ 7,202.25	30 days	17/04/2019	35	26202
3	10/12/2018	915907	\$ 217.14	30 days	16/01/2019	37	23771

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4	25/03/2019	INV-0654	\$ 359,424.96	30 days	10/04/2019	16	26110
5	27/11/2018	93776	\$ 133,302.01	30 days	2/01/2019	36	23450
6	19/02/2019	30481440	\$ 36,967.36	30 days	27/03/2019	36	25710
7	1/03/2019	27715	\$ 71,945.72	30 days	3/04/2019	33	17593
8	14/12/2018	IN-S155-412076	\$ 39,407.50	30 days	16/01/2019	33	23820
9	28/02/2019	7334	\$1,565.30	15 days	17/04/2019	48	21759

vi. For one out of 25 payments sampled, the payment terms recorded in TechOne is not consistent with council payment terms. Although the Financial Services Coordinator confirmed that suppliers' details are printed from the TechOne system and reviewed to ensure the accuracy, the evidence of the review was not provided for the audit.

Supplier	Payment Term in Techione	Invoice Date	Supplier Invoice No.	Amount	Payment Term stated in the invoice
Fusion5 Pty Ltd	0 days	9/01/2019	49775	\$ 64,900	30 days

vii. For two of seven sampled weekly payment runs, the bank confirmations were not attached to the printed EFT reports and ABA files for the following dates:

- 13 February 2019
- 20 March 2019

In addition, the evidence of review of bank confirmations and EFT reports were not documented for all seven samples.

Risks/Implications

Unauthorised purchases may result in inappropriate liabilities for Council.

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- Risk of potential procurement fraud or error.
- Balances are not allocated to the appropriate account, leading to inaccurate financial information.
- Late payments may result in poor supplier relationships and poor credit rating.
- > The actual payments made may not be consistent with EFT payments.

Recommendations

- R3. POs should be raised prior to receiving the goods/service and supplier invoices. Purchase orders which have been raised after invoice dates should be investigated and communicated to the respective team members to reduce future occurrences.
- R4. Management should consult with the TechOne vendor to explore options of how to include all suppliers' information on the Payment Advice.
- R5. Payments should be made in accordance with the Council payment terms.
- R6. AP reconciliations for aging and clearing accounts should be performed monthly to ensure the accuracy of the financial information.
- R7. Suppliers information should be reviewed periodically (i.e. quarterly) in the system to ensure its accuracy.
- R8. The review of total payments stated in the Bank Confirmations and EFT reports should be documented.

Manage	ement Comments	Role & name of officer responsible for action	Target Completion Date
R3.	Agreed. Ongoing training and awareness is to be provided to the organisation on the procurement processes and requirements. Quarterly reports will be issued to the Executive and Business Unit Managers highlighting instances of non-compliance.	Manager Procurement	31 October 2019 and ongoing
R4.	Agreed.	Co-ordinator Financial Services	30 September 2019
R5.	Agreed.	Co-ordinator Financial Services	Ongoing

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R6.	Agreed.	Co-ordinator Financial Services	Ongoing
R7.	Agreed. A system generated process has been created in Technology One to review all dormant creditors. This review is to be carried out on a six monthly basis to deactivate creditors which are no longer utilised. The most recent review was completed at the end of June 2019.	Hanager Procurement	Ongoing
R8	Agreed.	Co-ordinator Financial Services	Immediately and ongoing

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2.4. Accounts Payable Cut-off and Classification (CO5)

Risk Rating Low

Observations

Supplier invoices have not been reviewed to ensure that the expenses were accurately recorded in the period in which the liability was incurred. We were informed by the Financial Services Coordinator that the review will performed on an annual basis for the financial year end.

Risks/Implications

▶ There is a risk that payment liabilities may not be accurately recorded.

Recommendation

R9. All outstanding supplier invoices should be reviewed and recorded monthly to ensure the accuracy of liabilities.

Mana	agement Comments	Role it name of officer responsible for action	Target Completion Date
R9.	Disagree. All invoices are to be processed within Councils payment terms. Monthly accruals are not supported due to, increased and unnecessary administration as well as the inclusion of all outstanding commitments already reported in monthly budget reports. The accrual of invoices is to continue to be captured as part of the end of year processing.	Co-ordinator Financial Services	No action required

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2.5. Reporting and Communications (CO7)

Risk Rating

Low

Observations

We were informed by the Financial Services Coordinator that the AP aging report is generated monthly, but is not reviewed by management.

Business Unit performance reporting in relation to efficiency, cycle time and effectiveness is also not conducted.

Risks/Implications

- ▶ There is a risk that adequate and timely information on long overdue payments are not communicated to management.
- Without business unit performance reporting, reasons for poor performance may not be identified. Improvements will then not be followed up on.

Recommendations

R10. Key Performance Indicators (KPIs) should be identified such as suppliers invoices processing time and payment accuracy etc. Performance reviews should be based on the identified KPIs.

Mana	gement Comments	Role & name of officer responsible for action	Target Completion Date
R10.	Agreed - appropriate KPI's are to be developed for the section and provided as part of the reporting from the Technology One upgrade	Co-ordinator Financial Services	30 June 2020
	project.		

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APPENDIX A: Accounts Payable Health Check

Control Objective 1: Policies and Procedures

To ensure that the control environment is adequate for the Accounts Payable (AP) operations.

No.	Control Description	Complete	In Progress	Not Started	Due Date	Audit Comment (based on audit work performed from 10 May to 22 May 2019)
1.	Documented policy and procedures that cover all phases of AP	1				Audit verified the availability of the Accounts Payable Process & Operational Procedures.
2.	Policy and procedures communicated	-				The Accounts Payable Procurement are available to the AP team and is accessible via Content Manager.
3.	Policy and procedure implemented	1				Confirmed with Financial Services Coordinator that the policy is implemented.
4.	Published code of conduct communicated to staff	*				Audit verified the availability of the Code of Conduct Policy May 2019 and the announcement on intranet and the link.
5,	Personnel hired possess the knowledge and skills to accomplish AP tasks	1				Accounts Payable staff have the knowledge and skills to complete necessary tasks.
6.	Job descriptions/work plan that provide for proper segregation of duties for responsibility and authority	~				The job descriptions are clear and outline the behavioural indicators required to complete the job and communication required with Procurement the Finance.
7.	Adequate ongoing training of staff in AP	✓				On the job training and consultant for the new system for system training, system manual are available.
8.	Policy and procedures embedded (staff are aware of specific obligations and responsibilities)	4				All policies and procedures are available via Content Manager.

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Control Objective 2: Segregation of Duties

To ensure that payment documents are processed correctly by having adequate segregation of duties in the payment process (goods and services received, including creating the requisition and purchase order, receiving the invoice and making the payment).

No.	Control Description	Complete	In Progress	Not Started	Due Date	Audit Comment (based on audit work performed from 10 May to 22 May 2019)
1.	Different staff are assigned the role of approving purchases, receiving orders, matching involces for payment		Ý			Each role is allocated a profile- AP or Purchasing Officer. We sighted in TechOne and confirmed all AP Officers were allocated the role of AP officer. AP Officers are not able to 'receive' goods. Invoice matching and payments are conducted by AP Officers. Document file approver' is allocated to the Financial Service Coordinator to ensure that payments must be reviewed and approved. However, we were not able to obtain the user access rights list and user profile report.
Z.	AP and vendor records are segregated, controlled and restricted to different authorised personnel					We sighted the user function of the "AP Officer" to check if AP had the ability to amend vendor master data. The read only function was sighted, which allows AP Officers to view the details of the vendor card but not change. We also conducted a walkthrough with Betty Zacharakis, AP Officer, that vendor master data could only be read-only. However, we were not able to obtain the user access rights list and user profile report.
3.	AP staff are not able to raise purchase orders		1			AP Profiles are not able to raise purchase orders. The 'Raise PO' function was only allocated to the Purchaser Profile on Techone. However, as advised by the Systems Coordinator, audit could not obtain the user access list to the Raise PO function. However, we were not able to obtain the user access rights list and user profile report.

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Control Objective 3: Accountability, Authorisation and Approval

Accountability ensures that you review and approve invoices for payment based on delegated authority, signed agreements, contract terms, and purchase orders.

No.	Control Description	Complete	In Progress	Not Yet Started	Due Date	Audit Comment (based on audit work performed from 10 May to 22 May 2019)
1.	Review and update signature authorizations periodically	✓				Review and approval have been set up in TechOne.
2.	Purchases are authorised in accordance with financial delegation		*			A report to view all delegation limits set up in TechOne could not be generated. Two of five sampled 'Request for Refund' forms were not approved as per delegation of authority limit, although the additional approval by the Finance and Procurement Team for bond/deposit refunds were obtained.
3.	Verify receipt of goods and services to contract/purchase order and invoice information		4			TechOne requires the goods and services receipt to be acknowledged for payment processing. This requires the recipient to check the goods and services before acknowledging receipt. However, we were not able to obtain the user access rights list
4.	Supervisory approval for changes to invoice once entered into AP system		1			We were advised by the Systems Coordinator that if payment runs require amendment, this would have to be approved by the Coordinator Financial Services. However, we were not able to obtain the user access rights list.

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Objective 4: Processing, Reviewing, Monitoring and Reconciliation

The AP processing, reviewing, monitoring and reconciliation activities confirm that payment is made to approved purchases and are being billed correctly.

No.	Control Description	Complete	In Progress	Not Started	Due Date	Audit Comment (based on audit work performed from 10 May to 22 May 2019)
1.	Review vendor invoices for accuracy by comparing charges to purchase orders	4				In TechOne, invoices are referenced to the Purchase Order number for accuracy.
2,	Check the invoice to the goods and services received	~				Goods and services were received as per the invoice paid.
3.	Match invoice, receiving and purchase order information and follow up on missing or inconsistent information (unmatched open purchase orders, receiving reports and invoices and resolve missing, duplicate or unmatched items)		*			 Three of 25 sampled invoices were raised before the purchase order. Eight of 25 remittances did not include the supplier names on the Payment Advice. Three of 25 sampled payments did not include the supplier address on the Payment Advice.
4-	Check invoice to confirm recorded Accounts Payable transactions represent events that occurred and are in accordance with management's authorisation	1				All purchase orders are approved by relevant managers and cannot be approved by Accounts Payable Officers. Segregation of duties apply.
5.	No invoices will be accepted without PO	1				AP team ensures that no invoices will be accepted without PO except for utilities/refund payments.
6.	PO should be issued prior to receiving the invoice		Ť			All purchase orders must be raised prior to invoices issued by the supplier. Exceptions of 3 of 25 sampled purchase orders were raised after invoices were issued. Utilities B Refunds do not have Purchase Orders.
7.	Reconcile vendor statements to accounts payable subsidiary ledger	4				Only some suppliers provide statements to Accounts Payable. Once received, AP Officers will reconcile invoices immediately.
8,	Process to follow up and resolve difference between vendor statement and AP subsidiary ledger	4.				Supplier is contacted if there are discrepancies.
9.	Reconcile subsidiary ledger to general ledger control account for accuracy of recorded transactions	1				Monthly reconciliation between Accounts Payable general ledger and sub ledger is performed, reviewed and documented.

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No.	Control Description	Complete	in Progress	Not Started	Due Date	Audit Comment (based on audit work performed from 10 May to 22 May 2019)
10.	Process to resolve differences between the AP subsidiary ledger and the AP control account	*				Monthly reconciliation between Accounts Payable general ledger and sub ledger is performed, reviewed and documented.
11.	Perform AP reconciliations for aging and clearing accounts and review reconciliations in a timely fashion			V		To be performed for this FYE in June 2019
12.	Process to follow up and resolve differences for aging and clearing account reconciliations			*		To be performed for this FYE in June 2019
13.	Process in place to take advantage of early payment discounts if appropriately approved	4				If the invoice is received on time, it is processed by the AP Officer immediately.
14.	Process invoices according to invoice payment terms		Ý			Invoiced processed as per terms setup in TechOne unless otherwise instructed. Sample testing confirmed 9 invoices were not paid within the delegated payment terms. An ageing report is generated but not reviewed by senior management.
15.	Process for approval and recording credit note	4				Credit notes are entered by the AP Officer for various circumstances. If a credit applies, it will be deducted from the next supplier invoice.

Objective 5: Accounts Payable Cut-off and Classification

To ensure that the AP transactions are recorded in the correct period.

No.	Control Description	Complete	In Progress	Not Started	Due Date	Audit Comment (based on audit work performed from 10 May to 22 May 2019)
1.	Review the invoices to ensure that the expenses were accurately recorded in the period in which the liability was incurred			✓		To be performed for this FYE in June 2019

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Objective 6: Timely recording and processing

To ensure that the invoices are recorded and paid in a timely manner.

No.	Control Description	Complete	In Progress	Not Yet Started	Due Date	Audit Comment (based on audit work performed from 10 May to 22 May 2019)
1.	Work plan and schedule is in place to ensure work load are appropriately allocated between AP staff for timely processing of invoices	1		2		A specific schedule is not in place as processes are already detailed in the Accounts Payable Procedures and pay runs are conducted on a weekly basis.
2.	Process to monitor the volume of invoices received that have not been processed/entered into system	1				Processes are detailed in the Accounts Payable Procedures and pay runs are conducted on a weekly basis.
3.	System monitoring of invoices that are due but not paid to ensure that follow up actions had been taken	•				Once the payment term is entered by the Procurement Team, the due date is automatically captured in the TechOne system. Payment is then arranged according to the due date at each pay run. Any invoices not paid after due date are investigated by the AP team (e.g. Supplier invoice is not forwarded to the AP team by the respective Purchaser etc)

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Objective 7: Reporting and Communications

To ensure that AP related matters are reported to appropriate parties for information and decision-making.

No.	Control Description	Complete	In Progress	Not Yet Started	Due Date	Audit Comment (based on audit work performed from 10 May to 22 May 2019)
1.	The AP aging is reported to the management			4		Confirmed with the Financial Services Coordinator that the AP aging report is generated monthly but is not reviewed by management.
2.	Process to communicate discrepancies in supplier invoices to the requestor and supplier	-				Discrepancies are communicate via telephone calls or emails.
3.	Business Unit performance reporting in relation to efficiency, cycle time and effectiveness			4		Business unit performance reporting is not conducted.

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APPENDIX B - List of Key Documentation Reviewed

NO.	DOCUMENT	NO.	DOCUMENT
1	Accounts Payable Process and Operational Procedures	15	Purchase orders for a sample of purchase orders
2	Code of Conduct Policy	16	Cheques receipt for a sample of cheques
3	Code of Conduct Procedures	17	List of invoices raised without Purchase Order
4	Accounts Payable Position Description	18	List of EFT Payments
5	Creditors Control Report for a sample of months	19	TechOne audit trail report
6	Supplier Statements for a sample of suppliers	20	Bank transaction list for a sample of days
7	Delegation of Authority list	21	Payment run files for a sample of days
.8	Accounts Payable Organisational Chart	22	Credit note supporting documents for a sample of credit notes
9	Evidence of AP Policies and Procedures on Content Manager		
10	Evidence of TechOne functions		
11	AP Aging Report April 2019		
12	List of suppliers who provide statement of accounts		
13	List of credit notes issued by suppliers from January - April 2019		
14	Remittance advices for a sample of payments		

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APPENDIX C: Listing of Bayside Stakeholders Interviewed

NAME	TITLE
Ward Kirshaw	Coordinator Financial Services
Betty Zacharakis	Accounts Payable Officer
Helen Xiong	Accounts Payable Officer
Wendy Dillaway	Systems Coordinator
Roland Sinn	Procurement Specialist

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APPENDIX D: Summary of Recommendations for Action

Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date	
RI	Management should work with the TechOne vendor to explore alternative options of reviewing user access rights and user profiles to ensure the appropriate access rights have been assigned and the segregation of duties is in place.	Agreed - if possible a report will be developed t report on the access rights in Technologyone for period review. This will be included as part of the scope of the TechnologyOne upgrade project.	Manager Finance	30 June 2020	
R2	The approval of refunds should be in accordance with the Council's delegations of authority.	Agreed. Improved processes and controls are to be developed and implemented to ensure refunds are only processed in line within approved delegations.	Manager Procurement	30 September 2019	
R3	POs should be raised prior to receiving the goods/service and supplier invoices. Purchase orders which have been raised after invoice dates should be investigated and communicated to the respective team members to reduce future occurrences.	Agreed. Ongoing training and awareness is to be provided to the organisation on the procurement processes and requirements, Quarterly reports will be issued to the Executive and Business Unit Managers highlighting instances of non-compliance.	Manager Procurement	31 October 2019 and ongoing	
R4	Management should consult with the TechOne vendor to explore options of how to include all suppliers' information on the Payment Advice.	Agreed.	Co-ordinator Financial Services	30 September 2019	
R5	Payments should be made in accordance with the council payment terms.	Agreed.	Co-ordinator Financial Services	Ongoing	

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date	
R6	AP reconciliations for aging and clearing accounts should be performed monthly to ensure the accuracy of the financial information.	Agreed.	Co-ordinator Financial Services	Ongoing	
R7	Suppliers information should be reviewed periodically (i.e. quarterly) in the system to ensure its accuracy.	Agreed. A system generated process has been created in Technologyone to review ail dormant creditors. This review is to be carried out on a six monthly basis to deactivate creditors which are no longer utilised. The most recent review was completed at the end of June 2019.	Manager Procurement	Ongoing	
R8	The review of total payments stated in the Bank Confirmation and EFT report should be documented.	Agreed.	Co-ordinator Financial Services	Immediately and ongoing	
R9	All outstanding supplier invoices should be reviewed and recorded monthly to ensure the accuracy of liabilities.	Disagree. All invoices are to be processed within Councils payment terms. Monthly accruals are not supported due to, increased and unnecessary administration as well as the inclusion of all outstanding commitments already reported in monthly budget reports. The accrual of invoices is to continue to be captured as part of the end of year processing.	Co-ordinator Financial Services	No action required	

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Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R10	Key Performance Indicators (KPIs) should be identified such as suppliers invoices processing time and payment accuracy etc. Performance reviews should be based on the identified KPIs.	Agreed - appropriate KPI's are to be developed for the section and provided as part of the reporting from the TechnologyOne upgrade project	Co-ordinator Financial Services	30 June 2020

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APPENDIX E: 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.		
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 serior 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 Counciliors 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

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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 triburnal 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 Intringement 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

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Risk & Audit Committee

22/08/2019

Item No 5.6

Subject Final Fraud and Corruption Framework Audit Report

Report by Natasha Balderston, Internal Auditor

File SF19/210

Summary

Internal Audit conducted an audit into the fraud and corruption prevention controls currently implemented against the organisation. The purpose of this review was to benchmark Council's current operating environment against the NSW Audit Office's Fraud Control Toolkit to assist in identifying gaps in Council's current operating environment.

The audit identified ten areas of positive practices and ten areas for improvements, three of which were rated high risk and seven were rated moderate risk. Significant areas of weaknesses were identified and it resulted in Council's fraud and corruption framework receiving a rating of High Risk. Sixteen recommendations were made to assist the business area in closing the identified gaps.

The Manager Governance and Risk has accepted all the findings and recommendations and made his comments in the attached. A three year Fraud & Corruption Prevention Strategy is also attached outlining a comprehensive action plan for improvement.

Officer Recommendation

- 1 That the Risk & Audit Committee receives and notes the final Fraud and Corruption Framework audit report; and
- 2 That the Risk & Audit Committee receives and notes the Fraud and Corruption Strategy.

Background

As part of Council's Internal Audit Plan for the year ended 30 June 2019, Internal Audit conducted a review of fraud and corruption prevention controls currently implemented within the organisation.

Fraud and corruption controls are central to Council's ability to manage and control the risks associated with fraud and corruption in the local government environment. Councils, by virtue of their operations, have a higher propensity to the risk of fraud and corruption due to the nature of the services provided to the community, the level of engagement with suppliers, vendors, customers, developers and the management of diverse asset pools. Similarly, significant cash handling occurs and the number of financial transactions processed is high in day-to-day operations.

The primary focus of this internal audit was to assess the design and implementation of the current fraud and corruption controls in Council compared to the ten areas of better practice included in the Fraud Control Improvement Toolkit issued by the NSW Audit Office.

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The objective of this internal audit is to provide an assessment of the current risks associated with fraud and corruption across the Council. As part of this process, a Fraud and Corruption Control Policy and Strategy was also developed. The development of this document is required for an independent risk assessment to be performed in order to identify the areas of focus for the strategy.

The scope of this audit was limited to the operations of Council with the following elements central to the internal audit:

- 1 Consideration of the NSW Audit Office's Fraud Control Toolkit and its benchmarking against Council's current operating environment to identify any gaps in the current fraud and corruption control framework.
- The identification and assessment of relevant risks for inclusion in Council's risk register (where practical), taking into consideration the high level nature of the assessment.
- The identification of any opportunities to improve the current fraud and corruption control framework to mitigate risks to an acceptable level.
- The development and update of the current Fraud & Corruption Control Policy and Fraud and Corruption Control Strategy/Plan. As part of this process, Internal Audit considered the overall appropriateness of Council's current fraud and corruption prevention framework, covering existing policy, control plan, risk register etc. components.

The audit identified ten positive practices that supported good fraud and corruption prevention. These were as follows:

- Demonstrable commitment of Senior Executive of Council to the implementation of fraud and corruption controls and a "zero" tolerance which is communicated extensively through policy and procedure.
- Roles and responsibilities for the implementation of fraud and corruption controls are assigned, including dedicated Internal Audit and Governance officer positions.
- Formal and detailed policies and procedures are implemented across the organisation, including Codes of Conduct, Gifts and Benefits, Fraud Control Policy, financial processes etc.
- Well established Audit and Risk Committee oversights internal control across the Council and the Internal Audit Plan has been recently redeveloped and covers higher risk areas from the perspective of fraud and corruption.
- Pre-employment screening is implemented and includes checks of criminal history (for positions within Finance only).
- Comprehensive Governance training, including discussion of ethical behavioural policies and requirements is implemented and delivered as part of staff induction processes.
- Statement of Business Ethics and a communication program supporting Gifts and Benefits requirements "A Thank You is Enough" is implemented and advertised including on the Council website.
- Reporting mechanisms are in place for fraud and corruption, comprising internal and external avenues being established and communicated to staff and external vendors.
- Decision making and investigation processes are clearly defined and comprehensively documented, including segregation of the functions and the requirement for the use of suitably skilled and experienced personnel.

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• Secondary employment requirements are defined and documented across Council, including responsibilities of staff and management level employees.

The audit also identified ten areas for potential improvement in fraud and corruption management processes and controls. Each area for improvement has been risk rated and they are as follows:

High Risk areas:

- Specific Business Unit Fraud Risk Assessment not completed and documented in an appropriate risk register.
- Fraud and corruption control strategy and plan out of date and not utilised to drive and monitor risk across the Council.
- Lack of Data Analytics and other techniques to proactively identify potential fraud and corruption across the organisation.

Moderate Risk areas:

- Overall Fraud and Corruption Framework not documented.
- No evidence of ongoing and scheduled communication plan for fraud and corruption risk issues across Council.
- Fraud and corruption risk management not integrated as part of overall Enterprise Risk Management processes.
- Management of ethical based training and recommitment to adherence with ethical policies on an annual basis.
- Limited pre-employment screening processes, including criminal history for all positions
 of influence and decision making and the validation of qualifications with issuing
 institutions (Note: similar to findings within the HR internal audit).
- Documentation of fraud and corruption specific controls by business unit and/or function.
- Implementation of fraud and corruption controls linked to staff performance development plans.

Details of all findings and recommendations can be found in the attached report.

As a result, the overall audit has been rated as High Risk.

The Manager Governance and Risk has accepted all the findings and the recommendations and has put together an action plan to implement the recommendations. Consultation has occurred with the Manager People Organisational Culture in relation to recommendations impacting on her business unit. All findings, recommendations and management action plans will be inputted into PULSE for tracking and follow up.

The Fraud and Corruption Strategy encapsulates the recommendations from the audit report and puts forward a comprehensive three year action plan for improvement.

Attachments

- 1 FINAL Internal Audit of Fraud and Corruption Control Framework July 2019 J.
- 2 FINAL Fraud and Corruption Strategy 2019 July 2019 &

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BAYSIDE COUNCIL

Internal Audit of Fraud and Corruption Control Framework

July 2019

BDO



DISTRIBUTION

Party	Title
Meredith Wallace	General Manager, Bayside Council
Fausto Sut	Manager, Governance and Risk, Bayside Council
Natasha Balderston	Internal Auditor, Bayside Council
Sean Pascoe	Partner, 800
Steve Kent	Associate Director, BDO

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Inherent Limitations

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Executive Summary

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 overall levels of operations and their responsibility to prevent and detect irregularities, including fraud.

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

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

This report is intended solely for the information and internal use of Bayside Council in accordance with the agreed Terms of Reference dated April 2019, and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than Bayside Council for our work, for this report, or for any reliance that may be placed on this report by any party other than Bayside Council.

Limitation of Use

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Executive Summary

1. EXECUTIVE SUMMARY

1.1. Background

As part of Council's Internal Audit Plan for the year ended 30 June 2019, Council requested BDO to conduct an Internal Audit of the Fraud and Corruption Prevention Controls implemented currently in Council.

Fraud and Corruption controls are central to Council's ability to manage and control the risks associated with Fraud and Corruption in the local government environment. Councils, by virtue of their operations have a higher propensity to the risk of fraud and corruption due to the nature of the services provided to the community, the level of engagement with suppliers, vendors, customers, developers and the management of diverse asset pools. Similarly, significant cash handling occurs and the number of financial transactions processed is high in day-to-day operations.

The primary focus of this internal audit was to assess the design and implementation of the current fraud and corruption controls in Council compared to the ten areas of better practice included in the Fraud Control Improvement Toolkit issued by the NSW Audit Office.

The Terms of Reference (TOR) for the project were set out a formally approved document dated April 2019.

Objective and scope

The objective of this internal audit is to provide an assessment of the current risks associated with Fraud and Corruption across the Council. BDO has been requested to assist Council to develop a suitable Fraud and Corruption Control Policy and Strategy which requires the performance of a risk assessment in order to identify the areas of focus for the strategy.

The project will, as an outcome, identify any gaps in the current integrity framework, particularly after considering the Audit Office of NSW's Fraud Control Improvement Toolkit.

The scope was limited to the operations of Council with the following elements central to the internal audit:

- Consideration of the NSW Audit Office's Fraud Control Toolkit and its benckmarking against Bayside's current operating environment to identify any gaps in the current fraud and corruption control framework;
- The identification and assessment of relevant risks for inclusion in Bayside's risk register (where practical), taking into consideration the high level nature of the assessment;
- The identification of any opportunities to improve the current fraud and corruption control framework to mitigate risks to an acceptable level; and
- 4. The development and update of the current Fraud & Corruption Control Policy and Fraud and Corruption Control Strategy/Plan. As part of this process, we considered the overall appropriateness of Bayside's current fraud and corruption prevention framework, covering existing policy, control plan, risk register etc. components.

1.3. Current Council strategic risks related to fraud and corruption

The major risk areas of concern for Council and which are recorded in the Council's Risk Register in relation to the management of projects are as follows:

Risk 1: 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.

Risk 2: Failure of the organisation to adopt the new organisational culture and values.

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Executive Summary

1.4. Approach

The following approach was utilised during the internal audit:

- Kick off meeting with key Bayside Council stakeholders to discuss and confirm the arrangements for the internal audit;
- Reviewing relevant policies, procedures, processes and other guidelines (refer Appendix A);
- · Interviewing key and relevant Council personnel (refer to Appendix B);
- Undertaking a walkthrough of key processes and control practices;
- Developing a customised internal audit program using the NSW Audit Office
 Ten Key Attributes for Fraud and Corruption Prevention;
- Execution of the internal audit program, including testing of the application of procedures and internal controls to determine compliance levels with relevant policies, procedures, and guidelines;
- Assessing the design of the internal control environment after taking into consideration any key risks disclosed during the conduct of the internal audit:
- Evaluating findings in accordance with the Council's risk rating matrix (refer Appendix D);
- Conducting an exit meeting with management 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.
- Preparing draft and final reports of findings and recommendations for improvement and clearing with Management.

1.5. Summary of key findings

Positive findings

During the completion of the internal audit, we observed the following practices in relation to the implementation of Fraud and Corruption Control across the Council:

- Demonstrable commitment of Senior Executive of Council to the implementation of fraud and corruption controls and a "zero" tolerance which is communicated extensively through policy and procedure;
- Roles and responsibilities for the implementation of fraud and corruption controls are assigned, including dedicated Internal Audit and Governance officer positions;
- Formal and detailed policies and procedures are implemented across the organisation, including Codes of Conduct, Gifts and Benefits, Fraud Control Policy, financial processes etc.
- Well established Audit and Risk Committee oversights internal control across the Council and the Internal Audit Plan has been recently redeveloped and covers higher risk areas from the perspective of fraud and corruption:
- Pre-employment screening is implemented and includes checks of criminal history (for positions within Finance only);
- Comprehensive Governance training, including discussion of ethical behavioural policies and requirements is implemented and delivered as part of staff induction processes;
- Statement of Business Ethics and a communication program supporting Gifts and Benefits requirements "A Thank You Is Enough" is implemented and advertised including on the Council website;
- Reporting mechanisms are in place for fraud and corruption, comprising internal and external avenues being established and communicated to staff and external yendors:
- Decision making and investigation processes are clearly defined and comprehensively documented, including segregation of the functions and the requirement for the use of suitably skilled and experienced personnel; and

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Executive Summary

 Secondary employment requirements are defined and documented across Council, including responsibilities of staff and management level employees.

Areas for improvement

During the internal audit, we observed a number of areas for potential improvement in Fraud and Corruption management processes and controls. These are briefly outlined below and described in more detail in Section 2 of this report:

Specific Business Unit Fraud Risk Assessment not completed and documented in an appropriate risk register (High Risk)

 Our internal audit identified that while a Strategic Risk Assessment has been completed and documented in an appropriate register, operational risk assessments for business functions from a specific fraud and corruption perspective have not been completed to a comprehensive level.

Fraud and corruption control strategy and plan out of date and not utilised to drive and monitor risk across the Council (High Risk)

 We noted that the current Fraud and Corruption Control Strategy / Plan is dated 2012 and is for all intents and purposes the same plan that was developed by inConsult in 2012, with minimal update. This indicates that the strategies for fraud and corruption are not routinely monitored and managed by Council through the application and update of these strategies.

Lack of Data Analytics and other techniques to proactively identify potential fraud and corruption across the organisation (High Risk)

 A key detective control, particularly for financial transactions and their relevance to the fraud and corruption prevention is that of the analysis of data. While standard financial checking processes are an excellent method to identify inconsistencies, only true monitoring of complete data sets through the application of data analytic processes across, not only finance, but also procurement, assets etc. can assist in the detection of potential fraud and corruption which may otherwise remain undetected. Overall Fraud and Corruption Framework not documented (Moderate Risk)

 Council has a number of policies that assist in the control of fraud and corruption implemented which are separate and distinct. There is no overarching framework which brings together the entire ethical behavioural system and references these policies, procedures and requirements as a consolidated framework.

No evidence of ongoing and scheduled communication plan for fraud and corruption risk issues across Council (Moderate Risk)

 We did not identify any ongoing and scheduled communication plan dedicated to the promotion of fraud and corruption risk issue across Council in various forms such as forums, newsletters, email reminders etc.

Fraud and corruption risk management not integrated as part of overall Enterprise Risk Management processes (Moderate Risk)

 There is no evidence that the Council's Enterprise Risk Management process includes a dedicated assessment of Fraud and Corruption risks as for other business risks. These risks should be included in the operational risk registers maintained by Council and be utilised to drive strategy selection across preventative, detective and corrective controls.

Management of Ethical based training and recommitment to adherence with ethical policies on an annual basis (Moderate Risk)

 While we identified that the Governance training content is comprehensive, appropriate and delivered at the commencement of employment, we did not identify any requirement for ongoing fraud and corruption awareness training and a recommitment requirement for all staff to annually reaffirm their commitment to the ethical policies of Council.

Limited pre-employment screening processes, including criminal history for all positions of influence and decision making and the validation of qualifications with issuing institutions (Moderate Risk)

 During our discussions, we identified that pre-employment screening processes, including the completion fro criminal histories are currently only completed for positions in Finance. This effectively excludes positions of management and influence and those in susceptible areas of the business, such as development, management and procurement. We

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Executive Summary

also noted that currently no validation of qualifications with the issuing institutions is completed to verify qualifications for positions in which formal professional qualifications are a mandatory requirement.

Documentation of fraud and corruption specific controls by business unit and/or function (Moderate Risk)

 It would be advantageous to Council to generate a listing of specific fraud and corruption controls by business unit and function to assist in the monitoring of those controls on a quarterly basis. Business units should be involved in the identification of these controls based on valid risk assessment.

Implementation of fraud and corruption controls linked to staff performance development plans (Moderate Risk)

 It would be advantageous to Council to align the implementation of fraud and corruption controls to individual staff members, in particular management level employees, performance development plans.

We have included In Appendix C, a Summary of Recommendations for Action that can be used to assist in the tracking of the implementation of recommendations.

In addition, in Appendix E, we have included details of other potential nonvalidated relevant risks that were raised during our interviews. These can be considered when developing a Council fraud and corruption risk register. Management have included in the Appendix their initial responses.

1.6. Overall engagement rating

Our overall risk rating is High (Likelihood - Possible, Consequences - Major), using the Bayside Council rating table attached in Appendix C.

The rationale for the Risk Rating

There were no findings that constituted "almost certain or catastrophic." Three HIGH rated risks were identified and seven MODERATE. A number of LOW rated risks were identified however these are not significant and are not included in this report. These risks comprise a number of control and process improvements required to deliver a robust, consistent and well managed Fraud and Corruption Control Framework across Council.

1.7. Acknowledgement

We would like to take this opportunity to thank all Bayside Council management and staff for their co-operation and assistance during the course of our internal audit.

1.8. Report clearance

The content of this report has yet to be discussed and agreed with Ms. Natasha Balderston, Internal Auditor and Mr Fausto Sut, Manager Governance and Risk.

Yours sincerely

Sean Pascoe

Partner, BDO Risk Advisory

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Detailed Findings

2. DETAILED FINDINGS

Specific business unit fraud risk assessment not completed and documented for strategic risks
of fraud and corruption



Risks/Implications

Failure to actively identify, control and monitor fraud and corruption risks across the organisation as part of the integrated risk management program may result in increased incidents of fraud and corruption

Failure to complete a formal risk assessment at least every 2 years (maximum) and when any significant change in operations occurs, may result in resources being allocated inappropriately as part of fraud mitigation strategies.

Observations

Our internal audit identified that while a Strategic Risk Assessment has been completed and documented in an appropriate register, operational risk assessments for business functions from a specific fraud and corruption perspective have not been completed to a comprehensive level. While high level strategic risks of Council are documented in the Strategic Risk Register, these do not include any risks that directly relate to the management of Fraud and Corruption across Council. Secondly, at the present time, no business unit specific or function specific fraud and corruption risk assessments have been completed to identify at a granular level, the key risk elements for each business function across Council. As a result, there is no single source of fraud and corruption risks affecting Council that can be utilised to monitor and drive the strategic and operational actions of Council via a Fraud and Corruption Strategy which is required to be based on the management of identified and documented risks.

Recommendations

R1. A specific fraud risk assessment across all areas of the business should be completed as soon as practical.

R2. We recommend that in the absence of any significant changes to structures and operations in Council, that a comprehensive fraud risk assessment be completed on a cycle of at least every 2 years and not greater.

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Detailed findings

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Management Comments	Role and name of officer responsible for action	Target completion date
R1. Agreed. Itemised as 3.1 in the Fraud & Corruption Strategy (F&CS). Work will be undertake with BU as part of regular risk reviews.	Manager Governance & Risk (Fausto Sut)	31/3/20
R2. Agreed. Itemised as 3.4 in the Fraud & Corruption Strategy (FRCS).	Manager Governance & Risk (Fausto Sut)	30/6/21

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Detailed findings

Fraud and corruption control strategy out of date and not utilised to monitor risk across Council



Observations

We noted that the current Fraud and Corruption Control Strategy / Plan is dated 2012 and is, for all intents and purposes, the same plan that was developed by inConsult in 2012, with minimal update. This indicates that the strategies for fraud and corruption prevention are not routinely monitored and managed by Council through the application and update of these strategies. The purpose of any Fraud and Corruption Control Plan is to define the strategies to be implemented over a defined timeframe (usually 1-3 years), including monitoring controls and accountabilities, to ensure that Fraud and Corruption is adequately controlled within the organisation.

Risks/implications

Failure to manage the fraud and corruption mitigation strategy as a working document which is continually monitored, improved and reported upon may result in inadequate fraud and corruption control

Recommendation

R3. Council should document a 1-3 year Fraud and Corruption Prevention Strategy to ensure that current and future risks of fraud and corruption are managed effectively. This strategy should be reviewed and updated at least 6 monthly and reported to the Audit and Risk Committee for status updates.

Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R3. Draft Strategy completed and under review.	Manager Governance & Risk (Fausto Sut)	30/11/19

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Detailed findings

2.3. Lack of Data Analytic techniques to proactively identify potential fraud and corruption



Observations

A key detective control, in particular for financial transactions, is that of the analysis of data. While standard financial checking processes are an excellent method to identify inconsistencies, only true monitoring of complete data sets through the application of data analytic processes across, not only finance, but also procurement, assets etc. can assist in the detection of potential fraud and corruption which may otherwise remain undetected. During the completion of our internal audit, there does not appear to be any significant use of data analytics or automated alerting in financial and other systems that support data monitoring for the purposes of fraud and corruption detection. Financial data is monitored from the business process perspective, but this is not an alert or automated function.

Risks/implications

Lack of monitoring of data at the transaction level through the use of CAATs or data analytics may impact the ability of Council to review sufficient records to maintain a level of comfort that fraud and corruption is not occurring in the organisation

Recommendation

R4. Council should investigate cost effective solutions for conducting data analytics across relevant data sources, such as financial data, fleet management, procurement and asset / inventory data to identify potential fraudulent transactions and behaviours.

Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R4. Agreed. Itemised in draft F&CS @ 11.1.	Manager Governance & Risk (Fausto Sut)	31/12/20

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Detailed findings

2.4. Fraud and Corruption Framework not documented

Risk Rating Moderate

Observations

During the completion of the internal audit, we noted that while Council has a number of policies that assist actively in the control of fraud and corruption risk, these are separate and distinct policies and are not underpinned by a Fraud and Corruption Framework. The benefits of having an overarching framework document that explains the structure, purpose, policies and controls surrounding the management of Fraud and Corruption across Council is that a justifiable basis is created for the engoing management and monitoring of the related risks which can be used to validated the entire Fraud and Corruption Control Program. The primary elements of such a Framework are the Framework Overview, Code of Conducts, Fraud and Corruption Control Policy, Fraud Risk Register, Fraud and Corruption Control Plan / Strategy and Fraud and Corruption Control Awareness Program.

At the time of the internal audit, there was no overarching framework which brings together the entire ethical behavioural system and references the relevant policies, procedures and requirements as a consolidated framework.

Risks/implications

Failure to design, implement and continually improve and review fraud control and ethical based policy frameworks may result in a lack of monitoring control and inability to mitigate the risks associated with fraud and corruption.

Recommendations

R5. Develop and document the Fraud and Corruption Control Framework to underpin the current policies and procedures comprising the framework content.

R6. Develop further processes, such as the integration of Fraud Risk Management as part of the Enterprise Risk process and the introduction of a standing agenda item in relation to fraud and corruption at the business unit and team level to demonstrate commitment of senior management to the control of fraud and corruption.

Management Comments		Role and name of officer responsible for action	Target completion date
R5.	Agreed and itemised in draft FftCS @ 1.1. Will be added as	Manager Governance ft Risk (Fausto Sut)	30/6/2020
a priority document under the Policy Harmonisation Policy			

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Detailed findings

Management Comments	Role and name of officer responsible for action	Target completion date
R6. Agreed. Governance will work with POC and Leadership to develop implementation strategies. Itemised in draft FBCS @ 2.1	Manager Governance & Risk (Fausto Sut)	31/3/2020



Detailed findings

2.5. No evidence of an ongoing and scheduled communication plan for fraud and corruption risk

Risk Rating Moderate

Observations

We did not identify any ongoing and scheduled communication plan dedicated to the promotion of fraud and corruption risk issues across Council in various forms, such as forums, newsletters, email reminders etc. A key attribute of fraud and corruption control espoused by the NSW Audit Office is the "Fraud control message repeated and reinforced using a variety of communication channels". We did not identify any strong evidence of fraud control messages (excepting the "A Thank you is Enough" program) being repeated and reinforced throughout Council using a variety of communication channels such as email, print, staff meetings etc. This is largely due to the current intense scrutiny and oversight being placed on Council by the NSW Audit Office which is in itself, a reminder for staff of the fraud control message.

Risks/implications

Failure to regularly reinforce the fraud control message and expectations to Council stakeholders may result in an increased risk of a fraud and/or corruption incident being actioned and not identified by other staff.

Recommendation

R7. As part of the Fraud and Corruption Control Strategy Council should develop a scheduled communication plan on a Quarterly basis for the provision of frequent topical reminders in relation to fraud and corruption issues and requirements to all staff.

Management comments	Role and name of officer responsible for action	Target completion date
R7 Agreed and recognized as part of the Manager GStR Workslan in	Manager Governance ft Risk	30/6/20

R7. Agreed and recognised as part of the Manager GftR Workplan in conjunction with other key governance elements. Draft F&CS updated to include @ 6.7.

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Detailed Findings

2.6. Fraud and corruption risk management not integrated as part of the overall ERM

Risk Rating Moderate

Observations

There is limited evidence that the Council's Enterprise Risk Management (ERM) process includes a dedicated assessment of Fraud and Corruption risks as for other business risks. These risks should be included in the operational risk register maintained by Council and be utilised to drive strategy selection across preventative, detective and corrective controls. There is no specific fraud and corruption risk register and an assessment across business units for fraud and corruption risks has not been completed in the past two years. In this situation, we are not satisfied that fraud and corruption prevention can be asserted to be integrated into Council's ERM framework and therefore remains at a lower level of maturity which does not readily support the risk mitigation operations of Council.

Risks/Implications

Lack of recognition and integration of fraud and corruption risk assessment as a core element of the business wide risk management may result in a lack of identification of fraud and corruption related risks, or the lack of management of those risks leading to loss for Council.

Recommendations

R8. Fraud and Corruption risks should be included as a category in the overall Enterprise Risk Management process and evaluated on the same basis as other business risks.

Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R8. Agreed and Complete. PULSE ERM category includes Fraud & Corruption	Manager Governance & Risk	Completed - 24/7/19

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Detailed Findings

Management of ethical based training and recommitment to adherence to ethical policies

Risk Rating Moderate

Observations

During the internal audit, we identified that induction processes implemented by Council in particular, the Governance training content is comprehensive and appropriate and delivered at the commencement of employment to all staff. However, we did not identify any requirement for ongoing fraud and corruption awareness training to staff post this induction to further the knowledge of staff and to act as a reminder for the indicators of fraud and corruption.

There is similarly no evidence to support the view that specific fraud and corruption training is provided to staff in higher risk functions, such as finance, procurement and payroll. Finally, we did not identify any requirement for all staff to annually reaffirm their commitment to the ethical policies of Council.

Risks/implications

Lack of requirement for annual evidence of knowledge and acceptance of ethical policies may result in failed disciplinary actions and claims of lack of knowledge of requirements of staff, resulting in increased incidence of fraud and misconduct.

Lack of knowledge and understanding by staff of fraud and corruption risks and requirements of ethical policies may result in increased incidence of fraud and corruption

Recommendations

R9. On an annual basis, Council should obtain a recommitment from all staff to the adherence to the ethical policies (in particular the Code of Conduct and the Fraud Control Policy) and maintain records of this reconfirmation. This can be a manual or electronic recording process.

R10. In future staff training in relation to fraud and corrupt conduct, the session should include an examination of relevant "red flag" indicators of this behaviour as part of the curriculum.

R11. Develop a schedule / calendar of training sessions across Council business units and deliver business unit specific fraud and corruption awareness training sessions.

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Detailed Findings

Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R9. Agreed and itemised in draft FRCS @ 6.1.	Manager, Governance and Risk	30/6/20
R10. Agreed and incorporated into draft FftCS @ 6.3	Manager, Governance and Risk	30/6/20
R11. Agreed and identified in Manager G&R Workplan in conjunction with wide governance training and awareness. Itemised in draft F&CS at 6.2	Manager, Governance and Risk	30/6/20

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Detailed Findings

Limited pre-employment screening processes insufficient and exclude validation of qualifications

Risk Rating Moderate

Observations

During our discussions, we identified that pre-employment screening processes, including the completion of criminal histories are currently only completed for positions in Finance. This effectively excludes positions of management and influence and those in susceptible areas of the business, such as development, management and procurement. We also noted that currently, no validation of qualifications with the issuing institutions is completed to verify qualifications for positions in which formal professional qualifications are a mandatory requirement. It is our view that all positions with a decision making role where client or vendor relationships are maintained should be subject to criminal history checking. Similarly, there is evidence to support in other government and corporate instances that falsification of professional qualifications has occurred resulting in engagement of unqualified personnel in areas, such as finance, procurement, asset management and other management level roles.

Risks/implications

Failure to conduct adequate pre-employment screening, including criminal history checking and qualification validation may result in inappropriate recruitment of staff and increase the risk of fraud and corruption occurrence within Council.

Recommendations

R12. Implement as soon as practical, Criminal History checks for all positions of influence and decision making roles, not just Financial Operations.

R13. Council should conduct Qualification Validation with issuing institutions for any roles that require professional tertiary qualifications or licences within Council to detect any potential fraudulent documentation or qualifications.

Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R12. Agreed. Relevant positions will be identified in conjunction with	Manager Governance & Risk (Fausto Sut.) - overall	31/12/19
POC. Itemised in draft F&CS @ 9.1	Manager POC - implementation	

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Detailed Findings

Observations

During our discussions, we identified that pre-employment screening processes, including the completion of criminal histories are currently only completed for positions in Finance. This effectively excludes positions of management and influence and those in susceptible areas of the business, such as development, management and procurement. We also noted that currently, no validation of qualifications with the issuing institutions is completed to verify qualifications for positions in which formal professional qualifications are a mandatory requirement. It is our view that all positions with a decision making role where client or vendor relationships are maintained should be subject to criminal history checking. Similarly, there is evidence to support in other government and corporate instances that falsification of professional qualifications has occurred resulting in engagement of unqualified personnel in areas, such as finance, procurement, asset management and other management level roles.

Risks/implications

Failure to conduct adequate pre-employment screening, including criminal history checking and qualification validation may result in inappropriate recruitment of staff and increase the risk of fraud and corruption occurrence within Council.

Recommendations

R12. Implement as soon as practical, Criminal History checks for all positions of influence and decision making roles, not just Financial Operations.

R13. Council should conduct Qualification Validation with issuing institutions for any roles that require professional tertiary qualifications or licences within Council to detect any potential fraudulent documentation or qualifications.

Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R13. Council will identify relevant positions and investigate options for implementation. Itemised in draft FBcS \otimes 9.2	Manager POC	30/6/2020

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Detailed Findings

Documentation of fraud and corruption specific controls by business unit and/or function

Risk Rating Moderate

Observations

During the completion of the internal we were not able to identify a comprehensive listing of fraud and corruption controls by business unit or function which can be monitored centrally and reported against. It would be advantageous to Council to generate a listing of specific fraud and corruption controls by business unit and function to assist in the monitoring of those controls on a quarterly basis. Business units should be involved in the identification of these controls based on valid fraud and corruption risk assessments. These controls, where relevant, should be included in the Fraud and Corruption Control Register.

Risks/implications

Failure to drive fraud and corruption prevention based on evaluated risk areas and an assessment of control requirements across Council may result in misallocation of resources to non-essential areas and functions.

Recommendation

R14. Consider the extraction (and where not current, the development of fraud and corruption controls) for each business function at risk of fraud and corruption and document these in comprehensive internal Control registers. This will also allow each business unit to effectively report on these controls per quarter or as agreed timeframe to management and the Audit and Risk Committee.

Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R14. Agreed. PULSE ERM will be the basis for recording all Internal	Manager Governance & Risk	30/6/20
Controls relating to fraud and corruption risk, Quarterly reporting on		

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Detailed Findings

Management Comments

Role and Name of Officer Responsible for Action

Target Completion Date

controls is available through the application. Included in draft FRCS @

1.2



Detailed Findings

Implementation of fraud and corruption controls as accountabilities with staff performance development plans.

Risk Rating Moderate

Observations

One of the NSW Audit Office attributes is that "Senior managers individual performance agreements contain performance measures and indicators relating to successful fraud control". While we have not sought to access individual senior management performance development plans during the internal audit, we are informed that there is no direct insertion of such a requirement in Senior Managements Role descriptions, nor in their performance development plans against which their work performance is assessed. It would be advantageous to Council to align the implementation of fraud and corruption controls to individual staff members, in particular management level employee's performance development plans. This assists in the creation of a direct accountability to ensure the ongoing management of fraud and corruption across the Council.

Risks/implications

Lack of direct accountability for fraud and corruption control within the Performance Agreements and development plans may result in a lack of focus by Senior Management on the fraud and corruption risk area and an inability of Council to take remediation actions, if required.

Recommendations

R15. If not already implemented, Council should ensure that Management level Performance Development Plans (and where applicable contracts) include individual responsibilities to implement fraud and corruption control requirements across their respective areas of control.

R16. Council should ensure that all positions of authority and influence (at a minimum) include defined responsibilities for Fraud and Corruption control as part of the Role Description.

Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R15. Agreed and itemised in draft FBCS @ 4.1. This will be incorporated	Manager POC	30/6/21
as part of the development of workplans for 2020/21.		

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Detailed Findings

Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
R16. Agreed and itemised in draft FBCS @ 4.1. This will be progressively	Manager POC	30/6/21
implemented as PDs are reviewed and/or new positions created.		



APPENDIX A: Listing of Key Documentation Reviewed

No	Document	No	Document
1	CBB - Fraud and Corruption Prevention Policy	15	Equal Employment Opportunity Policy
2	Corruption Prevention Policy - Bayside	16	Exiting Employee Policy & Procedure
3	Starters, Leavers & Movers - Process & Operational Procedures	17	External Training Policy and Procedures
4	Accounts Payable - Process & Operational Procedures	18	Fees & Charges - Process & Operational Procedures
5	Accounts Receivable - Process and Operational Procedure	19	Financial Reporting - Process & Operational Procedures
6	Alcohol & Other Drugs Policy	20	Fleet Management Policy
7	Attachment C - Rockdale City Council - Corruption Strategy 2012 Final	21	FY18 IT Audit issues - Management Letter
8	Bank Guarantees - Process & Operational Procedures	22	Gifts and Benefits Policy
9	Bank Reconciliation - Process	23	Governance Induction - Bruce Cook - May 2019
10	Bayside Corporate Induction June 2019	24	Hours of Work & Flexible Working Policy
11	Bonds - Process & Operational Procedure	25	Inventory Management - Process & Operational Procedures
12	Cash Handling - Process & Operational Procedures	26	Investments - Process & Operational Procedures
13	Code of Conduct for Committee Members, Delegates of Council and Council Advisors	27	Leave Policy
14	Code of Conduct Procedures	28	Legal Documents - Process & Operational Procedures
29	Code of Conduct	55	Managers Performance Planning and Review Policy and Procedures

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30	Code of Meeting Practice	56	NSW Audit Management Letter 2016 17 Financial Statements - Response
31	Continuing Professional Development Policy	57	Other Employment Policy
32	Contracts Register - Process & Operational Procedures	58	Performance and Conduct Policy
33	Delegations - Process and Operational Procedures	59	Preventing Workplace Bullying, Harassment ft Discrimination Policy
34	Employee Performance Planning and Review Policy and Procedures	60	Procurement - Process & Operational Procedures
35	Public Interest Disclosures Policy	61	Enforcement Policy - Bayside
36	Purchase Card Policy	62	Fines Act Division 2A
17	Quality Procedure - Bayside Council - Timesheets	63	Internal Review Guidelines under the Fines Act
38	Receipting - Process & Operational Procedures	64	Request for Tender - 2019 Template PART A - Information for Tenderers
19	Template for new timesheet - with instructions	65	Request for Tender - 2019 Template PART B - Returnable Schedules
40	Rewards and Recognition Policy		
51	Risk Management Policy - Bayside Council		
52	Statement of Business Ethics		
53	Strategic Risk Report (as at 5 Feb 2019) V1.2		
54	Transition Recruitment Policy		

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APPENDIX B: Listing of Interviewees

Name	Title
Ms Meredith Wallace	General Manager, Bayside Council
Mr Michael Marrio	Director, City Performance, Bayside Council
Mr Colin Clissold	Director, City Presentation, Bayside Council
Ms Kristina Forsberg	Manager, People and Culture, Bayside Council
Mr Michael McCabe	Director, City Futures, Bayside Council
Ms Debra Dawson	Director, City Life, Bayside Council

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APPENDIX C: Summary of Recommendations for Action

Ref.	Recommendation	Management Comments	Role and Name of Officer Responsible for Action	Target Completion Date
Rf	A specific fraud risk assessment across all areas of the business should be completed as soon as practical.	Agreed. Itemised as 3.1 in the Fraud 6: Corruption Strategy (FBCS), Work will be undertake with BU as part of regular risk reviews.	Manager Governance & Risk (Fausto Sut)	31/3/20
82	We recommend that in the absence of any significant changes to structures and operations in Council, that a comprehensive fraud risk assessment be completed on a cycle of at least every 2 years and not greater.	Agreed. Itemised as 3.4 in the Fraud & Corruption Strategy (F&CS).	Manager Governance & Risk (Fausto Sut)	30/6/21
13	Council should document a 1-3 year Fraud and Corruption Prevention Strategy to ensure that current and future risks of fraud and corruption are managed effectively. This strategy should be reviewed and updated at least 6 monthly and reported to the Audit and Risk Committee for status updates.	Draft Strategy completed and under review	Manager Governance & Risk (Fausto Sut)	30/11/19
4	Council should investigate cost effective solutions for conducting data analytics across relevant data sources, such as financial data, fleet management, procurement and asset / inventory data to identify potential fraudulent transactions and behaviours.	Agreed. Itemised in draft F&CS @ 11.1.	Manager Governance & Risk (Fausto Sut)	31/12/20
15	Develop and document the Fraud and Corruption Control Framework to underpin the current policies and procedures comprising the framework content.	Agreed and itemised in draft FBC5 ® 1.1. Will be added as a priority document under the Policy Harmonisation Policy	Manager Governance & Risk (Fausto Sut)	30/6/2020

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R6	Develop further processes, such as the integration of Fraud Risk Management as part of the Enterprise Risk process and the introduction of a standing agenda item in relation to fraud and corruption at the business unit and team level to demonstrate commitment of senior management to the control of fraud and corruption.	Agreed. Governance will work with POC and Leadership to develop implementation strategies. Itemised in draft F&CS @ 2.1	Manager Governance & Risk (Fausto Sut)	31/3/2020
R7	As part of the Fraud and Corruption Control Strategy Council should develop a scheduled communication plan on a Quarterly basis for the provision of frequent topical reminders in relation to fraud and corruption issues and requirements to all staff.	Agreed and recognised as part of the Manager GER Workplan in conjunction with other key governance elements. Draft FRCS updated to include @ 6.7.	Manager Governance & Risk	30/6/20
R8	Fraud and Corruption risks should be included as a category in the overall Enterprise Risk Management process and evaluated on the same basis as other business risks.	Agreed and Complete. PULSE ERM category includes Fraud & Corruption	Manager Governance & Risk	Completed - 24/7/19
R9	On an annual basis, Council should obtain a recommitment from all staff to the adherence to the ethical policies (in particular the Code of Conduct and the Fraud Control Policy) and maintain records of this reconfirmation. This can be a manual or electronic recording process.	Agreed and Itemised in draft FBCS @ 6.1.	Manager Governance & Risk	30/6/20
R10	In future staff training in relation to fraud and corrupt conduct, the session should include an examination of relevant "red flag" indicators of this behaviour as part of the curriculum.	Agreed and incorporated into draft FRCS @ 6.3	Manager Governance & Risk	30/6/20
R11	Develop a schedule / calendar of training sessions across Council business units and deliver business unit specific fraud and corruption awareness training sessions.	Agreed and identified in Manager GftR Workplan in conjunction with wide governance training and awareness. Itemised in draft FftCS at 6.2	Manager Governance & Risk	30/6/20

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R12	implement as soon as practical, Criminal History checks for all positions of influence and decision making roles, not just Financial Operations.	Agreed. Relevant positions will be identified in conjunction with POC. Itemised in draft F&CS @ 9.1	Manager Governance & Risk (Fausto Sut) - overall Manager POC - implementation	31/12/19
R13	Council should conduct Qualification Validation with issuing institutions for any roles that require professional tertiary qualifications or licences within Council to detect any potential fraudulent documentation or qualifications.	Council will identify relevant positions and investigate options for implementation, Itemised in draft FRCS @ 9.2	Manager POC	30/6/2020
R14	Consider the extraction (and where not current, the development of fraud and corruption controls) for each business function at risk of fraud and corruption and document these in comprehensive internal Control registers. This will also allow each business unit to effectively report on these controls per quarter or as agreed timeframe to management and the Audit and Risk Committee.	Agreed. PULSE ERM will be the basis for recording all Internal Controls relating to fraud and corruption risk. Quarterly reporting on controls is available through the application. Included in draft FRCS ® 1.2	Manager Governance & Risk	30/6/20
R15	If not already implemented, Council should ensure that Management level Performance Development Plans (and where applicable contracts) include individual responsibilities to implement fraud and corruption control requirements across their respective areas of control.	Agreed and itemised in draft FBCS @ 4.1. This will be incorporated as part of the development of workplans for 2020/21.	Manager POC	30/6/21
R16	Council should ensure that all positions of authority and influence (at a minimum) include defined responsibilities for Fraud and Corruption control as part of the Role Description.	R16. Agreed and itemised in draft FRCS @ 4.1. This will be progressively implemented as PDs are reviewed and/or new positions created.	Manager POC	30/6/21

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APPENDIX D: Bayside Council Risk Rating 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			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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Appendix D - Other Potential Risk Areas

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 / itiness 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 computatory powers to examine witnesses in public hearings into substantial allegations of fraud and / or serious misconduct by Counciliors 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 ctaims 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 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

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Appendix D - Other Potential Risk Areas

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 properly damage claims.	Medium term local media coverage concerns from sections of the community governance breaches or faitures 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 Intringement Notice for breach of legislation	Localised raising of concerns by staff Isolated incidents and/or 'near miss' occurrences.	Tree removal in environmentally sensitive area leading to protest and local environmental concern lsolated infringement of environmental licence leading to fixed penalty

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Appendix D - Other Potential Risk Areas

APPENDIX E: Other Potential Non-Validated Risks / Areas for Improvement Mentioned in Discussions

Note: The risks / areas of concern referenced below were those raised during our discussion with the Director Group. These are not directly relevant to the scope of works being the analysis of the Fraud and Corruption Control Framework. Specific fraud risk assessments are required to be performed to identify all risks across the business units and enter these into the operational risk assessments of Council. Where the area raised aligns with the NSW Audit Office Ten Attributes these are identified as findings / recommendations in the report. As a result, the area discussion items below are not formally rated and should be further investigated by Council.

Risk Elements / Areas Raised for Improvement

- Cash Handling Could be Improved due to decentralisation of processes (MGR G&R Comment Cash handling audit has identified areas of improvement which are being implemented)
- Overtime Claims Golf Pro Shop etc. (New Manager now appointed \$120K in OT) Limited controls on allocation of shifts (resulted in pro working 7 days per week and claiming OT - not necessarily fraudulent but potentially bad planning) (MGR GER Comment - This will be referred to the Manager Sport & Recreation for review)
- Assets Management Small plant and equipment Increased surveillance has occurred at the Depots and a number of staff have been caught removing items etc. and
 were terminated from employment. Tracking of small plant could be improved Some Items not able to be identified that are on the asset registers (Multiple) (MGR
 GER Comment These issues have been identified and examined as part of the Plant B: Fleet Audit and Inventory Audit)
- Manual timesheets are still utilised in some areas of the business. Not consistent across Council as there is currently a mix of electronic time sheeting and manual processes (MGR G&R Comment This issue has been recognised with POC addressing the situation)
- Bunnings card / purchase cards use may still be an issue for minor equipment purchases(MGR GftR Comment This issue will be examined as part of the Procurement Internal Audit)
- Lack of clarity regarding roles and responsibilities Particular example is that Management at the business unit are not critical of claims and expenditure and do not
 analyse it. It is simply signed and endorsed and sent to Finance for Accounts Payable More analysis and accountability at the business unit and definition of who is
 responsible needs to occur(MGR GER Comment This issue will be referred to Manager Finance and Finance Business Partners)
- Credit Cards are available to Directors Not Personal Liability Cards Some staff members cards are known to others who are unauthorised and this practice should be ceased(MGR GBR Comment - This issue will be examined as part of the Procurement Internal Audit)

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Appendix D - Other Potential Risk Areas

Risk Elements / Areas Raised for Improvement

Still some purchasing by business units outside of IT for IT equipment - Direction has been made by the IMT Steering Committee - Sanctions for transgression need to be applied (MGR GBR Comment - This issue has been recognised and addressed through the IMT Steering Committee and the more robust budgetary process)

- Fleet Vehicle Disposal Issues Not quick enough disposal No GPS tracking for vehicles at this stage (MGR GER Comment This issue has been recognised and addressed as part of the Plant and Fleet audit except GPS tracking)
- . Fuel Usage Not Tracked and monitored (MGR GER Comment This issue has been recognised and addressed as part of the Inventory Management audit)
- Multiple Asset registers (At least 3) are in existence and these need to be combined into a Single Source of Truth within Tech One(MGR GER Comment This issue has been recognised and addressed as part of the Plant and Fleet audit)
- Council still operates a number of functions and services that are not aligned to the strategy of Council for example Childcare Centres and Squash Courts which would be
 better divested and/or outsourced which is currently being examined(MGR G&R Comment This issue has been recognised and being examined through City Life)
- Compliance and Enforcement Policies do require update and this is a known issue (MGR GBR Comment The organisational issue has been recognised and Policy Harmonisation Project co-ordinated through GBR is dealing with this issue)

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FRAUD AND CORRUPTION PREVENTION STRATEGY 2019-2022

General Manager's Message

Council operates in an increasingly complex and demanding social and business environment and few public sector agencies are faced with as diverse an array of potential risks as is Bayside Council. The recent amalgamation process has highlighted the Council as a local government entity is unfortunately susceptible to the risk of fraud and corruption due to the complex nature of our work, our responsibilities to the community and the nature of the services we provide to our community.

Bayside Council is therefore obliged to ensure that we use all possible resources, skill and experience to control the risk that fraud and corruption may be present within our organisation. With careful planning, management and control the risk of fraud and corruption affecting our business can be reduced to acceptable and manageable levels. Council is committed to the reduction and management of Fraud and Corruption through the implementation of a systematic and continuing program of prevention, detection and where necessary corrective strategies. A key component of our Fraud and Corruption Framework is the continuing assessment of fraud and corruption risks across Council as part of Council's overall Enterprise Risk Management framework.

The Bayside Fraud and Corruption Strategy 2019 - 2022 seeks to focus Council on the mitigation of fraud and corruption through the application of the strategies and actions contained in this plan. The strategies contained in this plan are those deemed by management as necessary to mitigate and control the risk of fraud and corruption within Council and to improve our business processes which have been assessed as being susceptible to a heightened risk of corruption.

This Strategy is designed to be utilised in conjunction with our Council policies and ethical behaviour frameworks including our Risk Management Framework, Code of Conduct, Fraud and Corruption Prevention Policy and other ethical management policies.

I encourage all staff to read and become conversant with this Strategy and to implement those actions necessary to encourage, promote and control corruption within our Council.

Meredith Wallace General Manager

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DOCUMENT MANAGEMENT & VERSION CONTROL						
PREPARED BY	COMMENT	DATE	VERSION			
BDO	Updated and Redrafted - 2019	July 2019	1.0			

Purpose of Strategy

The purpose of this Fraud and Corruption Prevention Strategy is to provide defined strategies and action to be implemented by Bayside Council in the period 2019 - 2022 as part of Council's commitment to mitigating the risk associated with fraud and corruption. The strategy also defines accountabilities and timeframes within which these actions are scheduled to be implemented and monitored by Council.

Aim & Objectives

The aims and objectives of the Fraud and Corruption Prevention Strategy are:

- · To mitigate and control the risk of corruption across Bayside Council;
- To implement appropriate control mechanisms to detect and prevent fraud and corruption across Bayside Council;
- To utilise analysis and technology to support fraud and corruption control initiatives and identify potential corrupt practices and transactions;
- To promote ethical conduct practices across the organisation in correlation with Bayside Council's Code of Conduct and other policies;
- To establish a strategic monitoring and review process to support proactive fraud and corruption risk management, detection and monitoring; and
- To support state and local government priorities to reduce and control the risk of fraud and corruption across local government entities.

Monitoring and Control

This Strategy is designed to be a living document. The various strategies and action steps it contains will be implemented and regularly reviewed by Council to ensure that they are actively working to reduce and manage the risk of fraud and corruption. Where appropriate, controls are identified as to whether they are primarily a preventative, detective or corrective control. Of utmost importance is that Council learns from experience and incorporates any feedback or improvement opportunities into the strategy which arise from any incidents or investigations.

How to Use this Strategy Document

This Strategy document is designed as an easy to use tabular system listing all agreed strategies and action steps, timeframes, accountabilities and priorities and is designed to allow Council to monitor and report upon the implementation of the actions contained in this strategy. The various fields of the table are defined below:

- Priority Level The priority level associated with the recommended strategy
- Business Function The related business function to the recommended strategy.
- Control Type—The type of control which the strategy and actions meet Preventative, Detective or Corrective.
- Strategy The strategy to be implemented in support of fraud and corruption control.
- Actions / Tasks Details of the individual action steps to implement the strategy
- Responsibility The unit or role with responsibility and accountability for the implementation of the action step.
- Timeframe/s—The proposed timeframe within which the action step should be implemented.

Prioritisation - Strategy & Actions

Priorities for implementation of each of the strategies have also been identified in accordance with the definitions below. The following levels of prioritisation have been utilised:

- Level 1 Immediate Priority This strategy and its associated action steps should be implemented within a period of 3 months.
- Level 2 Short Term Priority This strategy and its associated action steps should be implemented within a period of 3-6 months.
- Level 3 Medium Term Priority This strategy and its associated action steps should be implemented within a period of 12 months.
- Level 4 Long Term Priority This strategy and its associated action steps should be implemented as resource levels permit however ideally within a period of 3 years.

Fraud and Corruption Strategy & Action Plan

Priority	Business	Control Type	Strategy	Actions / Tasks	Responsibility	Timeframe/s
Level	Function					
2	Fraud and Corruption Framework	Preventative Detective Corrective	Implement and manage Councils Fraud and Corruption Control Framework	Develop and document Council's overall Fraud and Corruption Control Framework and have this validated and approved by Senior Management	Manager, Governance & Risk	FY 2019/2020
				1.2 Document the internal fraud and corruption control environment in consultation with Internal Audit to prepare a list of agreed Internal controls over fraud and corruption for each business function	Manager Governance & Risk/ Business Unit Directors / Internal Audit	FY 2019/2020
				1.3 Implement regularly monitoring fraud and corruption controls across business units as part of governance processes	Manager, Governance and Risk	FY 2019 – 2022 (6 Monthly)
				1.4 Implement appropriate monitoring strategies and techniques to measure the effectiveness of anti-corruption strategies within Council (such as the completion of cultural and ethical knowledge surveys)	Manager, Governance and Risk	FY 2020 – 2022 (Annually)
2	Leadership Commitment	Preventative	Ensure continued Leadership and Senior Management commitment to the control of Fraud and Corruption across Council	2.1 Implement a mandatory requirement for all staff to formally acknowledge acceptance of the Code of Conduct at least annually and retain those acknowledgements on personnel records. 2.2. Implement a requirement to include a standing agenda item for all business unit meetings of ethical conduct matters to be communicated and discussed at all business unit and team.	Manager, Governance and Risk Business Unit Directors	FY 2019 - 2020 (Ongoing) 31/3/20 FY2020 - 2022 (Ongoing)
1	Fraud and Corruption Risk	Preventative	Identify and manage the risk of fraud and	meetings and on at least a quarterly basis. 3.1 Conduct comprehensive and specific Fraud Risk Assessments across all of Council operations and enter those risks as part of	Manager, Governance and Risk	31/3/20
	Assessment		Council as part of Enterprise Risk	operational risk registers. 3.2 Integrate fraud and corruption risk management processes as part of the overall Council Enterprise Risk Management processes	Manager, Governance and Risk	FY2020

Priority Level	Business Function	Control Type	Strategy	Actions / Tasks	Responsibility	Timeframe/s
			Management processes	3.3 Create a Fraud and Corruption Committee chaired by the Manager, Governance and Risk to control and monitor the risk of fraud and corruption across Council.	Manager, Governance and Risk	FY2020
				3.4 Ensure that a comprehensive fraud and corruption risk assessment is completed on a cycle of not greater than 2 years or when major structural changes occur.	Manager, Governance and Risk / Internal Audit	FY2021
2	Accountability and Responsibility	Preventative	Establish strong accountabilities and responsibilities for the prevention and control of fraud and	4.1 Include individual responsibilities and accountabilities to implement fraud and corruption controls in management level employees (or those positions of authority and influence) professional development plans	General Manager / Councillors/ Manager, People and Culture	FY2020-21
			corruption across Council	4.2 Include documented requirements for all positions in position descriptions to implement and adopt all fraud and corruption controls required of their position	Manager, People and Culture	FY2020-21
2	Fraud and Corruption Reporting & Communication	Preventative	Encourage and support internal and external reporting by staff in matters of suspected fraud and corruption.	5.1. Re-communicate the current and available corruption reporting mechanisms for staff including external options for reporting through training sessions, regular email communication and face to face staff meetings to encourage future reporting.	Manager, Governance and Risk	FY2019-20 (Quarterly)
3	Fraud and Corruption Awareness Training	Preventative / Detective	Enhance fraud and corruption awareness and training across Council	6.1.1 Implement a mandatory requirement for all staff and councillors to complete a bi-annual Fraud and Corruption Awareness Training session. 6.1.2 Consider as part of the Councillor Development Program for	Manager, Governance and Risk Manager, Governance and	FY2019 (Two Yearly) FY2021-22
				newly elected Councillors a requirement to complete a bi-annual Fraud and Corruption Awareness Training session. 6.2. Develop and implement a schedule of ongoing fraud and	Risk/Manager Executive Services Manager,	FY2020
				corruption related training over the next 3 years (2019 – 2022) 6.3. Develop and deliver specific fraud and corruption training to staff in higher risk areas (i.e. finance, procurement, development	Manager, Governance and Risk	FY2019-20 (Ongoing)

Bayside Council - Fraud and Corruption Prevention Strategy - 2019-2022

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Priority Level	Business Function	Control Type	Strategy	Actions / Tasks	Responsibility	Timeframe/s
				applications) focussing on fraud indicators, schemes etc. The training should include an examination of relevant "red flag" indicators of this behaviour.		
				6.4 Ensure that records of attendance by staff at fraud and corruption training are maintained	Manager, Governance & Risk/ Manager POC	FY2020 - 2021
				6.5 Identify and enable suitable external training and development for staff involved in the prevention, investigation or monitoring of fraud and corruption across Council	Manager, Governance and Risk/ Manager POC	FY2019 - 2022
				6.6 Engage with external organisations dedicated to the prevention of Fraud and Corruption such as the Corruption Prevention Network to enhance learning opportunities for staff involved in the management of Fraud and Corruption	Manager, Governance and Risk	FY2020
				6.7 Develop a scheduled communication plan on a Quarterly basis for the provision of frequent topical reminders in relation to fraud and corruption issues and requirements to all staff.	Manager, Governance and Risk	FY2020
3-4	Fraud and Corruption Strategic	Preventative Detective Corrective	Implement continuous monitoring and improvement in Fraud	7.1 Ensure that defined and documented fraud and corruption strategies are aligned to the overall Council strategic direction	Manager, Governance and Risk	FY2019 - 2022
	Direction		and Corruption strategies	7.2 Conduct at least an annual review of current strategies within the Fraud and Corruption Control Strategy	Manager, Governance and Risk	FY2020 - 2021 (Ongoing)
				7.3 Implement quarterly reporting to the Fraud and Corruption Control Committee on the current status of the Fraud and Corruption strategies	Manager, Governance and Risk	FY2019 -2021 (Quarterly)
2	Fraud Report Data	Detective	Generate a database of internal reports for use in identifying trends and patterns of behaviours related to fraud and corruption	8.1 Capture and maintain reports and records related to any actual or potential fraud and corruption events to be used as a learning and management resource, and to detect any trends that may be apparent.	Manager, Governance and Risk	FY2020 (Ongoing)

Bayside Council - Fraud and Corruption Prevention Strategy - 2019-2022

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Priority	Business	Control Type	Strategy	Actions / Tasks	Responsibility	Timeframe/s
Level	Function					
1	Human	Preventative	Strengthen pre-	9.1 Implement Criminal History checks for all positions of	Manager, People	FY2019 (As
	Resources		employment	influence and decision making roles not just positions in finance.	and Culture	required)
	Management		screening process to			
			identify potential	9.2. Implement qualification validation with issuing institutions	Manager, People	
			inappropriate	for any roles that require professional tertiary qualifications or	and Culture	FY2020 (As
			recruitment	licences within Council to detect any potential fraudulent		Required)
				documentation or qualifications.		
2-3	Internal Audit	Preventative	Enhance Councils	10.1. Continue development and resourcing of the Internal Audit	General Manager	FY2019-2022
		Detective	ability to review its	function within Council with a focused, risk based 3 year Internal		
			operations internally	Audit Plan covering key areas of the business.		
			and proactively			
			prevent and detect	10.2 Ensure that each internal Audit plan includes reviews of	Manager, Internal	FY2019-2022
			potential fraud and	functions within business units that have a higher assessed risk of	Audit	
			corruption	fraud and corruption.		
3-4	Information &	Preventative	To utilise technology	11.1. Investigate and implement a cost effective solution for	Manager,	FY2019-2020
	Data	Detective	systems and data to	conducting data analytics across relevant data sources such as	Governance and Risk	(investigation)
	Management		identify erroneous	financial data, fleet management, procurement and asset /	/ Internal Audit /	
			transactions in Council	inventory data to identify potential fraudulent transactions and	Manager, IT	FY2021-2022
			data sets	behaviours.	_	(solution
						implementation)

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Risk & Audit Committee

22/08/2019

Item No 5.7

Subject Audit Plan 2018/19 and Outstanding Audit Recommendations -

Progress Report

Report by Natasha Balderston, Internal Auditor

File SF19/210

Summary

The purpose of this report is to highlight to the Risk and Audit Committee the progress on the open four audits for 2018/19.

This report also provides an update on the status of recommendations outstanding at last Risk and Audit Committee and the status of recommendations which have become due from audits undertaken since then.

Officer Recommendation

- 1 That the Risk and Audit Committee receives and notes the progress made on the remaining four audits planned for 2018/19.
- That the Risk and Audit Committee notes the status of recommendations which are outstanding and those which have become due since the last Risk and Audit Committee meeting.
- That the Risk and Audit Committee notes that Internal Audit will undertake testing to ensure that recommendations reported by the business areas as implemented or completed, are verified and the results reported back to the Committee.

Background

Status of open audits from 2018/19 audit plan

As at the last Risk and Audit Committee meeting, there were four scheduled audits that were not finalised. There were as follows:

- 1 Accounts Payable Health Check
- 2 Fraud and Corruption Framework Development
- 3 Rates Management
- 4 DA, S7.11 contributions and VPAS.

All 4 audits have now progressed and the status of each follows:

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1 Accounts Payable

The audit is now completed and the report has been made available to the Committee. All recommendations will be inputted into the PULSE system for tracking and follow up.

2 Fraud and Corruption Framework - Development

The audit is now completed and the report has been made available to the Committee. All recommendations will be inputted into the PULSE system for tracking and follow up.

3 Rates Management

The audit is now completed and the report has been made available to the Committee. All recommendations will be inputted into the Pulse system for tracking and follow up.

4 DAs, \$7.11 contributions and VPAs

This audit is in three stages. The Development Assessment (DA) audit fieldwork has now been completed and a draft report has been received. Internal Audit is currently performing quality control over the report. Once completed, an exit meeting will be held with Director City Futures and the Manager Development Assessment to discuss the draft findings, recommendations and risk ratings. Where required, the report will be updated with the output from the discussions and sent to the Manager Development Assessment for management comment. As part of Council's internal quality assurance process, the management comments by the relevant stakeholders will be submitted to the Executive Committee for their review and final comment prior to the audit report being finalised.

The S7.11 contributions audit is currently in the fieldwork stage.

The VPA audit is scheduled to commence following the S7.11 contributions audit.

All three audits will be presented at the Risk and Audit Committee meeting in November 2019.

Other Audit work

In addition to the work undertaken as part of the audit plan, BDO has also completed a stock take and process review of fleet, plant (including small plant) and equipment. The draft audit report has been received, exit meetings have been held with the relevant stakeholders and their management comments captured in the draft report. The draft report has been presented to the Executive Committee. Due to the nature of the findings, the General Manager is considering the recommendations and further advice prior to finalising the management comments in response to the findings and recommendations.

The final report will be submitted to the Risk & Audit Committee meeting in November 2019.

The recommendations from all audits are put into PULSE for action by the relevant Managers and regular management reporting.

Status of outstanding and due audit recommendations

At the writing of this report, all audit recommendations have been reported as implemented and completed by the relevant business areas with the exception of the following:

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Inventory Management audit:

The Coordinator Stores and Fleet Operations has requested a revised due date for the following recommendation:

"The units of measure in TechOne should be modified to reflect the ordering and issuing units. Similarly, location of store items should be streamlined".

The units of measure used in recording the receipt of items in the TechOne system currently does not reflect the ordering and issuing of these items. Assistance has been sought from the IT team to determine if the units of measure can be altered in the system to streamline the receipting and issuing of items.

The revised due date for the implementation of this recommendation is 22 November 2019.

This is the first time on this recommendation that a request has been made to change the original due date and the deferment appears reasonable.

Cash Handling audit:

Manager Customer Service has requested for a revised due date for the following recommendation:

"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 on the use of personal duress alarms".

A draft policy has been distributed for the stakeholder feedback. The implementation of the use of duress alarms and training is still required.

The revised due date for the implementation of this recommendation is 30 September 2019.

This is the first time on this recommendation that a request has been made to change the original due date and the deferment appears reasonable.

As a matter of process, Internal Audit will verify the implementation of these recommendations through interviews, observation and testing to determine:

- a Whether controls have actually been implemented
- b Whether new controls are being utilised and are embedded within the business unit's process
- c Whether the controls implemented can be relied upon to reduce the risks identified.

Internal Audit verification results will be reported to the Executive and the Risk & Audit Committee.

Attachments

Nil

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Subject Confidential - Risk Management 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.

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