

MEETING NOTICE

A meeting of the **Risk & Audit Committee** will be held in the Level 2 Conference Room, Administration Centre, Rockdale on Thursday 28 November 2019 at 6.30pm

AGENDA

1	ACKNOWLEDGEMENT OF COUNTRY
	Bayside Council respects the traditional custodians of the land, elders past, present

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and emerging, on which this meeting takes place, and acknowledges the Gadigal and Bidjigal Clans of the Eora Nation.

2	APOLOGIES			
3	DISCLOSURES OF INTEREST			
4	MINU	ITES OF PREVIOUS MEETINGS		
	4.1	Minutes of the Risk & Audit Committee Meeting - 22 August 2019		
	4.2	Minutes of the Extraordinary Risk & Audit Committee Meeting - 24 October 2019		
5	REPO	ORTS		
	Exter	rnal Audit (Manager Finance)		
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	Inter	nal Audit (Internal Auditor)		
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	Risk	Management (Manager Governance and Risk)		
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Legislative Compliance (Manager Governance and Risk)

NIL.

Performance Management (Manager POC)

NIL.

External Accountability (Manager Finance)

NIL.

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

Meredith Wallace General Manager



Item No 4.1

Subject Minutes of the Risk & Audit Committee Meeting - 22 August 2019

Report by Fausto Sut, Manager Governance & Risk

File SF19/211

Officer Recommendation

That the Minutes of the Risk & Audit Committee meeting held on 22 August 2019 be confirmed as a true record of proceedings.

Present

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

Also Present

Councillor Dorothy Rapisardi
Michael Mamo, Acting General Manager
Fausto Sut, Manager Governance & Risk
Matthew Walker, Manager Finance
Natasha Balderston, Coordinator Risk & Audit
David Nolan, Director Financial Audit Services - Audit Office of NSW
Cate Trivers, Project Manager – Project 2020
Kristina Forsberg, Manager People & Organisational Culture
Mark Cleland, Manager Information Technology
Antoinette Naudi, Co-ordinator Financial Accounting

The Chairperson opened the meeting in the Level 2 Conference Room at 6.35pm.

1 Acknowledgement of Traditional Owners

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

2 Apologies

The following apologies were received: Councillor Scott Morrissey Meredith Wallace, General Manager Jeremy Morgan, Manager City Infrastructure

3 Disclosures of Interest

There were no disclosures of interest.

4 Minutes of Previous Meetings

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

Committee Recommendation

- 1. That the Minutes of the Risk & Audit Committee meeting held on 23 May 2019 be confirmed as a true record of proceedings.
- 2. That the list of outstanding actions be 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 6.1	A report come back to the Committee's November 2019 meeting on Council's Legislative Compliance Framework.	Manager, Governance & Risk
22/8/19 5.2	The Committee be notified at the time the full financial statements for 2018/2019 are sent to the NSW Audit Office.	Manager, Finance
22/8/19 5.4	A report come back to the Committee in six months on the effectiveness of the recommendations of the Rates Management Audit in achieving the identified key improvements.	Manager, Finance
22/8/19 5.6	A report come back to the Committee in six months on the progress in implementing the improvements of the Fraud and Corruption Audit.	Manager Governance & Risk
22/8/19 6.1	The Committee meeting schedule be reviewed to ensure future meetings are held on the 4 th Thursday in the month to be held.	Manager, Governance & Risk
22/8/19 6.2	That a report come back to the Committee with the replacement audit for the deferred Asset Management Audit.	Internal Auditor

5 Reports

5.1 Outstanding ICAC Actions Update

Committee Recommendation

That the status of implementation of Council's management progress towards finalising the implementation of the Operation Ricco ICAC Action Plan be noted.

5.2 Project 2020 Update

Committee Recommendation

- That the updated Project 2020 Project Status Report as of August 2019 and notes the major P2020 milestones, project risks and mitigations be received and following in particular noted:
 - 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.
- That it be noted that 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 estimated audit cost of \$500,000.
- That it be noted that 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.
- That it be noted the major P2020 Project risks and mitigations (refer Attachments 1 and 2 in the report).

- 5 That it be noted that 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
- That the status of actions reported in attachments 4, 5 and 6 of the report, and the validation to be undertaken by Internal Audit, be noted.

5.3 Final HR Management Audit Report

Committee Recommendation

That the final HR Management audit report be received and noted.

5.4 Final Rates Management Audit Report

Committee Recommendation

That the final internal audit report on Rates Management be received and noted.

5.5 Final Accounts Payable Health Check Report

Committee Recommendation

- 1 That the final health check report on Accounts Payable be received and noted.
- That the Risk & Audit Committee receives a report back on the effectiveness of the interim measures implemented to monitor the segregation of duties within the TechnologyOne user access for the Finance and Procurement modules.

5.6 Final Fraud and Corruption Framework Audit Report

Committee Recommendation

That the following be received and noted:

- 1 The final Fraud and Corruption Framework audit report.
- 2 The Fraud and Corruption Strategy.

5.7 Audit Plan 2018/19 and Outstanding Audit Recommendations - Progress Report

Committee Recommendation

- 1 That the progress made on the remaining four audits planned for 2018/19 received and noted.
- 2 That the status of recommendations which are outstanding and those which have become due since the last Risk and Audit Committee meeting be noted.
- That it be noted that Internal Audit will test, and report back to the Committee, to verify those recommendations reported by the business areas as implemented or completed.

5.8 Risk Management Overview

Committee Recommendation

That the following be received and noted:

- The action taken in respect of each of the recommendations and improvement areas in the final Continuous Risk Improvement Program (CRIP) Audit Report.
- 2 The review of the Risk Register.
- 3 The report on the Liability Claims Performance.

6 General Business

6.1 Committee Meeting Times

The Committee's preference was that meeting times be consistently held on the 4th Thursday of the month in which the meeting falls.

6.2 Deferment of Asset Management Audit

The Committee was advised by the Internal Auditor that the Executive Committee had agreed to defer the forthcoming Asset Management Audit for 12 months. The deferment was due to the current workload and work being undertaken in this area. A report would be presented to the next meeting with a replacement audit.

7 Next Meeting

The next meeting will be held in the Level 2 Conference Room at the Bayside Administration Centre, Rockdale, 6.30pm on Thursday, 24 October 2019.

The Chairperson closed the meeting at 8:25 pm.

Attachments

Nil



Risk & Audit Committee

28/11/2019

Item No 4.2

Subject Minutes of the Extraordinary Risk & Audit Committee Meeting - 24

October 2019

Report by Fausto Sut, Manager Governance & Risk

File SF19/211

Officer Recommendation

That the Minutes of the Extraordinary Risk & Audit Committee meeting held on 24 October 2019 be confirmed as a true record of proceedings.

Present

Jennifer Whitten, Independent External Member Lewis Cook, Independent External Member (via telephone hook-up) 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, Internal Audit
Matthew Walker, Manager Finance
David Nolan, Director Financial Audit Services - Audit Office of NSW

The Chairperson opened the meeting in the Level 2 Conference Room at 6.40pm.

1 Acknowledgement of Country

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

2 Apologies

There were no apologies received.

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3 Disclosures of Interest

Barry Munns declared a Less than Significant Non-Pecuniary Conflict of Interest in Item 4.2 on the basis that in a professional capacity he was asked separately by two of the tenderers for the audit services contract with Bayside Council to be a referee. He declined both requests and also made them aware that he was not part of Bayside Council's tender selection process. In the circumstances and as the Item is for notation only, no further action was needed.

4 Reports

4.1 Draft 2018-19 Financial Statements

Committee Recommendation

- 1 That the attachment/s to this report be withheld from the press and public as they are confidential for the following reason:
 - With reference to Section 10(A) (2) General of the Local Government Act 1993, the attachment relates to the matters in this report are confidential, as it is considered that it is in the public interest that they not be disclosed to the public. In accordance with the Code of Conduct, the matters and the information contained within this report must not be discussed with or disclosed to any person who is not a member of the meeting or otherwise authorised.
- 2 That the Risk & Audit Committee receives and notes the update from its Auditor.
- That the Risk & Audit Committee notes that the draft 2018-19 financial statements are to be tabled at the Council meeting 13 November 2019 for Council to resolve to sign a revised statement by Councillors and Management.
- That the Risk & Audit Committee notes that if there are any material changes to the draft 2018-19 financial statements as result of audit, that this will be identified in a report to a future meeting.

4.2 Tender - Internal Audit Panel - Evaluation

Committee Recommendation

That the report be received and noted.

4.3 Revised Risk & Audit Committee Meeting Schedule for Financial Year 2019/20

Committee Recommendation

That the revised meeting schedule for the remainder of the Risk & Audit Committee meetings for financial year 2019/20 is received and noted.

5 General Business

5.1 Scheduling of Audit Reports

Committee Recommendation

That Internal Audit provide suggestions on how to manage the volume of reports being presented to the Committee to ensure appropriate consideration and discussion.

6 Next Meeting

The next meeting of the Risk & Audit Committee will be held in the Level 2 Conference Room of the Administration Centre at 6.30pm on Thursday, 28 November 2019.

The Chairperson closed the meeting at 7:45 pm.

Attachments

Nil



Risk & Audit Committee

28/11/2019

Item No 5.1

Subject Audited 2018-19 General Purpose Financial Reports and associated

schedules and Project 2020 Update

Report by Matthew Walker, Manager Finance

File F19/790

Summary

As advised at the Extraordinary Risk & Audit Committee meeting Council had at the request of its auditors had lodged an extension request for the lodgement of the 2018-19 Audited General Purpose Financial Reports and associated schedules. Council has received notification of an approved extension till 30 November 2019. Council resolved to sign the statement by Councillors and Management at the Council Meeting held 13 November 2019 (copy attached).

At the time of writing this report the audit was in the process of winding up and it is expected that Council will have the audit opinion and reports to enable lodgement in accordance with the approved extension. A supplementary report will be issued closer to the meeting.

The Audit Director, Mr David Nolan, will be in attendance at the meeting to provide the Risk & Audit Committee with an overview of the audit and the audit opinion.

An update on Project 2020 will be provided to the Risk & Audit Committee at the meeting, which will outline the focus for 2019-20.

Officer Recommendation

- 1 That the Risk & Audit Committee receive the update from the Audit Director.
- 2 That the Audited 2018-19 General Purpose Financial Reports be referred to the December 2019 Council Meeting.
- That the Risk & Audit Committee Chair make a presentation on the Audited 2018-19 General Purpose Financial Reports at the December 2019 Council Meeting.
- That the Risk & Audit Committee members are invited to attend the December 2019 Council Meeting.
- 5 That the Risk & Audit Committee receive and note the update on Project 2020.

Background

As advised at the Extraordinary Risk & Audit Committee meeting Council had a request its auditors had lodged an extension request for the lodgement of the 2018-19 Audited General Purpose Financial Reports and associated schedules. Council has received notification of an approved extension till 30 November 2019. Council resolved to sign the statement by

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Councillors and Management at the Council Meeting held 13 November 2019 (Copy is attached).

At the time of writing this reports the audit was in the process of winding up and it is expected that Council will have the audit opinion and reports to enable lodgement in accordance with the approved extension. A supplementary report will be issued closer to the meeting.

The Audit Director, Mr David Nolan, will be in attendance at the meeting to provide the Risk & Audit Committee with an overview of the audit and the audit opinion.

Project 2020 Update - 2019-20

Whilst the 2018/19 Financial Statements and audit have progressed Council has already commenced significant work in 2019/20 to continue to embed business processes and controls and improve financial management.

The goal of returning to the standard financial management calendar cycle now allows the Bayside Management and Finance Teams to manage the current financial year within the year of reporting. The focus will be on addressing any audit issues identified within the 2018/19 audit and will continue to focus on achieving an unmodified audit opinion in 2019/20. This outcome remains dependent on Council receiving an audit opinion on 2018/19. The timelines will target meeting all statutory reporting deadlines with continued focus on quality.

Focus areas in 2019/20 will be to continue to:

- Improve Asset Management including quality of asset information, asset verification and revaluations, and improved interim processes and reporting.
- Embed financial reporting and month end processes for all reconciliations.
- Embed policies and business process and controls across all governance and finance functions.
- Maintain and improve IT control environment and risk manage new systems and upgrades.
- Embedding Council's values and ensuring staff are informed about security, and regular updates on fraud and corruption awareness

Details per work stream are included in the attachment.

Progress on Audit Issues

As part of P2020 Council has focused on remediating the audit issues leading to the Disclaimer of audit opinions on the 2016/17 and 2017/18 Financial Statements. These were included in the NSW Audit Office management letters to which Bayside Council has provided management response and implemented actions to address recommendations:

- 2016/17 interim audit management letter
- 2016/17 final audit management letter
- 2017/18 interim IT audit management letter

Overall there are 128 actions, of which 103 have a status of completed, 2 have a status of superseded, 22 are in progress and 1 has not yet commenced. The actions in progress mainly reflect dependency with the TechnologyOne project which is in progress and due for implementation in July 2020.

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Attachments

- Signed Statement by Councillors and Management $\underline{\mathbb{J}}$ Project2020 Update by workstreams $\underline{\mathbb{J}}$
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Item 5.1 14

Financial Statements 2019

Bayside Council

General Purpose Financial Statements

for the year ended 30 June 2019

Statement by Councillors and Management

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

Bayside Councils financial reports for 2016/17 and 2017/18 received a disclaimed audit opinion from its auditor, Audit Office of NSW. Council has completed significant work to address the underlying issues behind the disclaimer, including the implementation of internal control environment, revaluation of a number of asset classes and re-estimation of employee leave entitlements. However this work was focused on the correction of balances as at 30 June 2019 and could not correct the issues of the past, which are included in the opening balances, the reported operating result and cashflows.

Bayside Council has developed a detailed action plan to address the ongoing audit opinion and the 2018/19 financial reports have been prepared in accordance with the plan.

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

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

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

- present fairly the Council's financial position as at 30 June 2019,
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 13/11/19.

Mayor

13/11/19

Meredith Wallace

Meredia Wallace

General Manager 13/11/19

James MacDonak

13/11/19

Responsible Accounting Officer

13/11/19

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P2020 Project Status - Update by Work Stream - November 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 1.2 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 — TBA Audit clearance meeting — by 30 November 2019 (TBC) Audit Office issues Engagement Closing Report — by 30 November 2019. Extraordinary Council Meeting to refer to Audit — by 30 November 2019. Audit Office Submission of 2018/19 Financial Statements to the Office of Local Government — by 30 November 2019. The Audit Opinion and final Statements will be reported to the December 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 the audit.

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 revised timeframes for final audit to be completed by 30 November 2019.

Background: The NSW Audit Office issued the Draft Audit Engagement Plan (AEP) 5 July 2019 and Engagement Information Request. The Draft AEP signalled a significant audit program at an estimated cost of \$500,000 to Bayside Council rate payers. Management have met with the Director of Audit on a number of occasions between July and November, including having the Director of Audit attend Executive Briefings to update Management and the General Manager on the progress of the audit.

The Audit program and timeframes represented a significant risk for finalising the audit in accordance with the statutory reporting timeframes. To mitigate that risk Council staff and resources concentrated on quality of reconciliations and supporting audit work papers to be submitted to audit on time to support an 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 26 August 2019. No interim audit management letters have been received in relation to the 2018/19 audits.

Project dependencies have 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 had 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 were embedded and improved in 2018/19 and where a key focus for the quality and completion of the year end reconciliations and work papers. 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. For the audit phase a complete log of all audit requests has been maintained in order to ensure the quality and timeliness of Council's responses to audit queries. The audit process has been extensive.

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. Resolved – In 2018/19 the Authority systems migrated to TechnologyOne.	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. Post Implementation Review to be finalised by 31 March 2019.	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. Resolved – In 2018/19 the Authority systems migrated to Pathway.	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
Quality – Andit 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 conducted periodic checkpoints and quality assurance processes over the quality of asset information.	High

Risk Category	Risk	Risk Mitigation Actions	Overall Risk Assessment
		Year End Timetable updated for revised timeframe. Additional external professional technical asset management advisory services were engaged to meet timeframes and improve quality of reconciliations and working papers, and reviews.	
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:	Receive the 2018/19 Audit Opinion – related to Asset Management – TBA November 2019 Address any Audit Recommendations arising from the 2018/19 Audit – TBA Continue to address Audit Issues Finalise 2019/20 Asset Verification and Valuation processes – 30 June 2020	

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. Quality and timeliness of responses to audit.
- Quality and Completeness of the Asset Management information capitalisation and Fixed Asset Register

To mitigate these issues staff remain focused on responding to audit queries which are all logged and reviewed. At this stage the NSW Audit Office have not issued the audit opinion and so the outcome remains unclear.

During 2018/19 Council has continued to operate the asset Fixed Asset Register outside of TechnologyOne and implemented an access database to support the controls and improve quality of the capitalisation process. Work continues to improve this interim measure.

The Land Improvements and Other Structures identification and valuation process represents 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 complete quality assurance and seek to engage the audit office in review of process and data quality at the interim audit

Delays in finalising the 2017/18 Asset capitalisation 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 finalising in August 2019.

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.

Asset quality assurance was completed, with significant internal resources and additional asset technical advisory services engaged to support the Asset Management project work stream team.

The RapidMap engagement on Land Improvements and Other Structures now referred to as Recreation Assets is tracking on track to deliver data by 9 August and valuation by 15 August.

In the previous 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
- Asset Accounting Procedures
- 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 below).

At time of reporting the audit has not concluded so outcomes cannot be determined.

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 was engaged to complete this project. The engagement with the vendor includes various checkpoints and management complete quality assurance and seek to engage the audit office in review of process and data quality at the interim audit. Completed, audit review pending.	Extreme Failure to achieve either completeness, quality or timeframes will potentially result in the continuation of the disclaimer of audit opinion.
Timeframes	Audit timeframes will limit management's ability to respond to audit issues in the critical path.	Asset Managers addressing quality of 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

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:	Receive the 2018/19 Audit Opinion – related to Employee Leave Entitlements and Payroll – TBA November 2019 Address any Audit Recommendations arising from the 2018/19 Audit - TBA Finalise IChris Post Implementation Review – 31 March 2020

Project Status Update:

Overall the WBS 3 Employee Leave Entitlements and Payroll workstream remediated the legacy balances of employee leave entitlements in the 2018/19 Financial Year. The audit outcomes are not yet known and subject to Council receiving the 2018/19 Financial Statements.

Whilst the project experienced delays subsequent to the original plan Council increased the level of quality assurance has been incorporated into the approach and included:

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

At this stage the IChris Post Implementation Review has not been finalised and is now scheduled for completion by 31 March 2020.

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

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 dependent on TechnologyOne Project – 30 June 2020	

Project Status Update:

The IT Workstream has responded to IT related audit issues across the respective Audit Management Letters: in particular the NSW Audit Office Management Letters for the 2016/17 Financial Year Audit and the 2017/18 Interim IT Audit recommendations.

In response to the 2016/17 Financial Year Audit Management Letter the IT related recommendations (8) have been completed with the exception of 2 actions which are dependent on the TechnologyOne Project and are due to be completed by 30 June 2020. Interim control measures are in place to manage and mitigate any risk.

In response to the 2017/18 Interim IT Management Letter Council identified 22 actions and has completed 19 (as at November 2019). The three remaining relate to the IChris Post Implementation Review and are scheduled to be completed by 31 March 2020.

The IT work stream has addressed IT Security Policy and Standards, implemented an IT Change Advisory Board, managed system migration and the decommissioning of Authority, implemented system based controls, developed and implemented user access processes through the IT Support Desk, limited use of generic user accounts, and conducted reviews of user access.

Overall the project remains on track to achieve project outcomes for both 2018/19 and 2019/20 and will continue to embed the IT Change Advisory and IT Security Standards.

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

Risk Category Risk Risk Mitigation Actions		Overall Risk Assessment	
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 No 5.2

Subject Final Development Assessment Audit Report

Report by Natasha Balderston, Internal Auditor

File SF19/211

Summary

As part of the 2018/19 audit plan, an audit of the Development Assessment processes and controls was completed. This was the first of three audits concerning development services with the other areas being Development Contributions and VPAs. The purpose of this audit was to assess the adequacy and effectiveness of internal controls within the process and the level of compliance with Council's policies, systems, processes and practices.

The audit identified some positive practices and areas for potential improvement. Recommendations have been made to assist the business area in strengthening their processes and controls in areas where gaps have been identified. Based on the impact and consequences of the findings and recommendations, the audit has been rated as Medium Risk.

The Manager Development Services has reviewed the audit report and accepted fifteen out of seventeen recommendations. All findings, recommendations and management actions will be inputted into Pulse for tracking, follow up and verification. Results from the verification process will be communicated to the Risk & Audit Committee in a timely manner.

Officer Recommendation

- 1 That the Risk & Audit Committee receives and notes the Final Internal Audit report on Development Assessment.
- That the Risk & Audit Committee notes that Internal Audit will follow up and verify the implementation of the recommendations when they become due.

Background

As part of an overview of Council's Development Services area, the first of three audits were conducted in respect of the development assessment process. The audit was designed to assess the adequacy and effectiveness of the internal controls in place for the development assessment process and the level of compliance with Council's policies, systems, processes, controls and practices and the requirements of the Environmental Planning & Assessment Act 1979.

The scope of the review included an examination of the following activities:

- 1. Pre-lodgement to lodgement
- Allocation and referrals
- Assessment

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- 4. Determination and notification
- 5. Administration and reporting.

The audit also assessed the control environment operating within Council. The control environment, also known as the internal control framework, refers to the overall attitude, awareness and actions of those charged with governance regarding the internal control system and its importance to the entity. A survey was conducted with both the Development Services management team and the Strategic Planning Developer Contributions team. The audit identified three positive practices that supported good development assessment practices and controls. These were as follows:

- 1. The Clearing House is a key control and effective process providing management with quality assurance and resource allocation for development assessment.
- The documented procedures used by the development assessment and advisory teams, which are currently in draft, are comprehensive, and have good customisation for staff. These procedures will assist in ensuring consistency of processing and decision making.
- 3. Good teamwork and communication within the development assessment and development advisory service teams was observed, including senior officers being committed to training new and inexperienced staff.

The audit also identified eight areas for potential improvement (in seven findings) in the development assessment processes and controls. They were as follows:

- 1. Review the current website to provide a more user friendly interface to DA related processes and assessments. (Finding 1)
- 2. Upgrade the functionality of the mapping tools for the planners. (Finding 1)
- 3. Check that high risks for DA's are identified and documented. (Finding 2)
- 4. Enhance the customer service experience for applicants, including information sessions and making sufficient use of pre-lodgement meetings. (Finding 3)
- 5. Ensure customer complaints and requests are properly registered, actioned and reported. (Finding 4)
- 6. Improve the DA assessment process by capturing more detail on inspections, proactively suggesting pre-lodgement meetings and detailing how fees are calculated. (Finding 5)
- 7. Work with the Finance and Customer Services teams to ensure that fee calculations are accurate and complete. (Finding 6)
- 8. Continue to improve the control environment in which the control activities are operating. (Finding 7)

Internal Audit made seventeen recommendations to strengthen the current development assessment process and controls. A summary of the recommendations according to the risk rating is provided below:

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Total recommendations	Extreme	High	Medium	Low
17	0	3	9	5

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

The Manager Development Services has accepted fifteen out of the seventeen recommendations and has provided a draft action plan to implement the recommendations. The table below provides a summary of the two recommendations that was not accepted by the Manager:

Refer to report	Recommendation	Management comment
5.1	Council should consider a more proactive approach to suggesting pre-lodgement DA meetings and information sessions with applicants to ensure that the application has a greater chance of meeting the criteria for approval.	Disagree. The current process has been for the DAS team to encourage applicants to take advantage of the Pre-Lodgement process if in their professional opinion that the applicant would benefit from the process. This process is usually beneficial for high-value complex projects. It would not be beneficial to do this for all DA lodgements as the additional cost to the applicant to undergo this process would be of little value.
5.3	Council should consider re-designing the inspection form to ensure that sufficient information (including links to photographs with commentary) and dates is captured and filed in TRIM, then enter the information into the Pathways. For future consideration, Council could automate the inspection form so that it can be completed online while on site and uploaded with the photos (similar to tablets used by regulatory and compliance officers in other councils).	Disagree with redesigning the inspection form because it is used as a point of reference, not as part of the assessment. However, agree with reviewing the Inspection form in its current state and ensuring that this is completed in full when an assessing officer is on site and this is then updated into appropriate systems. Further discussions will need to take place regarding automation with tablets etc. The due date for this will be December 2020.

The final Internal Audit report is attached to this report for the Risk & Audit Committee's review and discussion.

All findings, recommendations and management action plans will be inputted into PULSE for tracking, follow up and verification. Results from the verification process will be communicated to the Risk & Audit Committee.

Attachments

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BAYSIDE COUNCIL

Internal Audit Report - Development Assessment

Final

29 October 2019

InConsult Pty Ltd

Prepared by Sue Morrison- Senior Consultant

Reviewed by Mitchell Morley - Director

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Internal Audit Report - Development Assessment

As part of an overview of Council's Development Services area, the first of three audits, was conducted on the development assessment process as at June 2019. Follow on audits will be conducted for developer contributions and voluntary planning agreement functions.

Subject to availability of Council staff, the audits will be conducted in the following timeframes: Development Assessment – late June; Developer Contributions late July and Voluntary Planning Agreements in late August 2019.

Audit Objectives

The audit was designed to assess the adequacy and effectiveness of the internal controls in place for the development assessment process and the level of compliance with Council's policies, systems, processes, controls and practices and the requirements of the Environmental Planning and Assessment Act 1979.

Audit Scope

The scope of our review included an examination of the following activities:

- Pre-lodgement to lodgement
- Allocation and referrals
- Assessment
- Determination and notification
- Administration and reporting

Audit Timing

The audit planning commenced on 17th June 2019 with a planning meeting, then a review of documentation forwarded to us in advance of the audit on 20th June. The field work was carried out at Bayside Council premises between 24th June 2019 and 26th July 2019.

A draft report was circulated to management on 12th August 2019 for comment.

Audit Approach

We used a risk-based audit approach to ensure our efforts were focused on higher risk areas. The audit work involved a review of policies, systems, processes and practices, discussions with management and a review of relevant documentation. We evaluated processes and controls by sample testing various types of development applications. See Appendix 2 for a summary of risks and controls.

The audit approach included:

· Initial planning and scoping of the audit

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- Review of Council policies, procedures, manuals, guidelines, checklists relating to the development assessment process
- Conduct of a risk assessment and development of a detailed audit plan
- · Observation and walkthrough of key processes and systems with relevant staff
- Sample testing of development applications determined since 1 January 2019 representing a cross section of development types, values, locations and assessing officers.

The audit assessed the control environment that is operating at Bayside Council by conducting a survey of both the Development Services management team and the Strategic Planning Developer Contributions team.

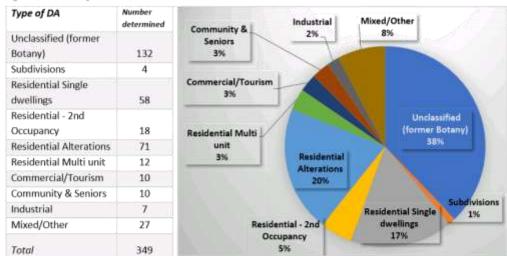
We discussed audit findings with Luis Melim, Manager Development Services at an exit meeting on 28 June 2019. We then issued our draft report to management for comment on 12 August 2019.

Summary of Audit Findings

Insights

The review of the development applications from January to June 2019 included some applications which commenced under the former Rockdale and Botany Councils prior to the amalgamation of the Councils. A summary of statistics for these development applications is shown in Figures 1 to 4 below.

Figure 1: Statistics from DA Determined List Jan19 to June 19



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Figure 2: Value of DA's Determined Jan to June 2019

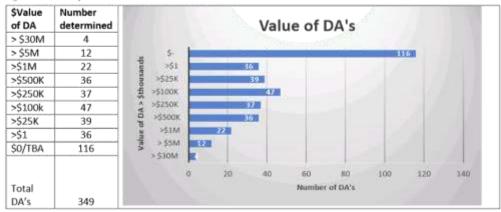


Figure 3: DA Determinations Jan to June 2019

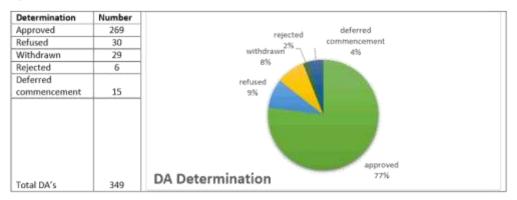


Figure 4: Number of Days to Determine DA



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Positive Findings

- The Clearing House is a key control and effective process providing management with quality assurance and resource allocation for development assessment.
- The documented procedures used by the development assessment and advisory teams, which
 are currently in draft, are comprehensive, and have good customisation for staff. These
 procedures will assist in ensuring consistency of processing and decision making.
- The auditor observed good teamwork and communication within the development assessment and development advisory service teams, where senior officers were committed to training new and inexperienced staff.

Opportunities for Improvement

The main opportunities for improvement identified during our audit related to:

- Reviewing the current website to provide a more user friendly interface to DA related processes and assessments. (See Finding 1, Appendix 1)
- Upgrading the functionality of the mapping tools for the planners. (See Finding 1, Appendix 1)
- Checking that high risks for DA's are identified and documented. (See Finding 2, Appendix 1)
- Enhancing the customer service experience for applicants, including information sessions and making sufficient use of pre-lodgement meetings (See Finding 3, Appendix 1)
- Ensuring customer complaints and requests are properly registered, actioned and reported (See Finding 4, Appendix 1)
- Improving the DA assessment process by capturing more detail on inspections, proactively suggesting pre-lodgement meetings and detailing how fees are calculated. (See Finding 5, Appendix 1)
- Working with the Finance and Customer Services teams to ensure that fee calculations are accurate and complete. (See Finding 6, Appendix 1)
- Continuing to improve the control environment in which the control activities are operating. (see Finding 7, Appendix 1)

The auditors would also like to refer Council to the recommendations in the recently released report from the NSW Auditor General, "Development assessment: pre-lodgement and lodgement in Camden Council and Randwick City Council 20 JUNE 2019 " Bayside Council has some of these controls already in place, such as the clearing house process and conducting a customer satisfaction survey. However, there are other areas noted in the Auditor General's report where improvements could be considered.

In total, we made seven (7) findings and identified 17 recommendations for improvement. The importance of these can be summarised as follows:

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Total Recommendations	Breakdown of Recommendations by Importance Level				
	Extreme	High	Medium	Low	
17	0	3	9	5	

In determining the importance of each recommendation, we used the following rating scale:

Recommendation Rating Scale			
Extreme	Key controls are not in place around a critical business function which is exposing Council to substantial risk. Immediate remediation action needed to bring controls to acceptable standards.		
High	Significant control exposure was noted that could result in significant financial or reputational loss. Short term attention/review is required.		
Medium	Isolated control gaps were noted, which if not addressed may in future lead to significant exposure.		
Low	Minor control gaps and/or longer term opportunities for improvement were noted.		

Appendix 1 contains detailed findings in relation to those areas where we identified opportunities for improvement.

Overall Audit Conclusion

In our opinion, the audit revealed that the development application and assessment process is effectively controlled and complies with Council's policies, systems, processes, controls and practices and the Environmental Planning and Assessment Act 1979. The overall risk is considered to be medium for development assessment. The audit does not provide assurance on individual technical determinations. Council is encouraged to continue with the reforms already initiated to improve the processing and assessment of the development applications.

Acknowledgements

We would like to thank management and staff in the Development Services team for their time and cooperation during the course of the audit.

Sue Morrison BBus, CPA, CIA, PMIIA, ACFE

Senior Consultant InConsult

Mitchell Morley Bec, PMIIA

Director, InConsult

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Appendix 1: Detailed Findings

Finding 1	Improve information management for development assessment.		
Risk Identified	Inaccurate or incomplete information, or inefficient information management could lead to inefficiencies in processing, poor decision making, or non-compliance with the Act and Council policies and procedures.		
	Information on Council website and mapping tools may be inadequate resulting in incomplete applications or inefficient operations.		
Summary of Findings	The E-lodgement process is currently being developed by the Dept. of Planning (DoP). Staff note that it is a slow process, involving many stakeholders, including negotiation with the software suppliers for the proprietary systems currently being used. Bayside Council is represented at the stakeholder consultations by one of the Development Coordinators. Improvements suggested for integration of the systems and the proposed interface is managed through this process. Council needs to ensure that it has its "back office" in order to ensure that the transition to electronic lodgement is seamless.		
	Bayside Council still has some legacy issues as a result of the council amalgamation, including the merging of information management systems. Some issues remain with the numbering of DA's which can still result in confusion for staff and the public in finding and tracking them through the existing systems. All new DA's are consistently numbered and registered, but the pre-amalgamation DA's could have several registration numbers/syntax.		
	It was observed that the development application and assessment documents are not always in chronological order in ASSESS /DA Tracker, which can make it difficult to follow and check timing of assessment steps and decisions. It would be good to upgrade this functionality before the transition to the DoP e-lodgement system.		
	The Planners and Development Services staff have a high reliance on the mapping and layers in the Intramap system to identify the information required for assessing the development applications and advising the applicants. The current mapping tool is "clunky" and inefficient and some of the information, such as boundaries are now outdated and have to be checked and cross referenced. This is not efficient and there is a risk that important information may be missed while assessing the DA's. Planners believe that usability would be improved by having their own "layer "of the map with relevant screens and data preloaded, so they don't have to click through and guess where all the relevant layers and data are stored then displayed.		

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It was observed that while the information on Council's website related to development applications was comprehensive and detailed, there is a risk of information overload and some information was hard to find. It is acknowledged that it can be a challenge to provide a balance between excessive detail and sufficient information. There were no dates on the website information, so the currency of the information could not be checked. A review of how other councils present their information on their website may be of assistance and provide options for improving the user friendliness of the website.

At the time of the audit, the Clause 4.6 (SEPP 1) registers were difficult to locate and had not been updated on the website since March 2018. This was amended immediately by the Development Services staff.

Recomm	nendations			
No.	Recommendation	Priority	Responsible Officer	Due Date
1.1	Council should prioritise system and process enhancement to ensure careful integration of all DA related systems to the proposed e-lodgement process being controlled by DoP	Medium	Manager Development Services	30 June 2020
1.2	Council should ensure that website information related to DA's is checked at least annually to ensure information is current and that it is user friendly. The Cl 4.6 (former SEPP 1) register should be updated every 3 to 6 months.	Medium	Manager Development Services	31 December 2019
1.3	Council should investigate and budget for an upgrade of the mapping tool to improve its integrity and efficiency.	Medium	Manager Development Services	30 December 2020
Manage	ment Response to Recommendations		Maria de la companya della companya	50
1.1	Agree with recommendation. This has been tasked to Coordinator E-Planning through DoP portal or pathway module and other options.	& Developm	nent Referrals to investigat	e e lodgment
1.2	Agree with recommendation. This has been tasked to Customer Relations Analyst who will review the information on the website & DAS Coordinator will ensure updates are made to website.			
1.3	Agree with recommendation. This has been tasked to Manager of Development Services to engage with Spatial Information team to discuss the development of a Development Services layer/s and the owner of the information and its correctness.			

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Item 5.2 – Attachment 1





Finding No.2	Manage risk of potentially inconsistent determinations and contentious development applications.				
Risk Identified	Assessment practices may lead to inconsistent application of development requirements, resulting in inappropriate approvals. Where incorrect or inconsistent assessments are not identified before DA is finalised and signed off, there is a risk of potential legal challenge.				
Summary of Findings	Development Services staff have ongoing concerns about the perceived and actual consistency of decisions. This is the highest potential risk for both compliance, potential court cases and managing Council's liability. While the new DA's are vetted through the Clearing House process, there is not an equivalent review process for monitoring consistency of determinations for "borderline" applications.				
	There is a concern that one planner may refuse a DA, while another may approve a similar DA, effectively giving the applicant a more lenient outcome, thereby exposing Council to criticism and possible legal challenge. An example discussed during the audit was an application for a subdivision of 2 lots into 5, where other similar DA's had been approved in the same locality, bu the orientation of the block and surrounding area would seem to indicate that this was an overdevelopment.				
	To address this issue, it is noted that the Manager Development Services holds lunch time seminars from time to discuss assessment approach and planning matters to raise awareness of new or risk related issues for understanding and discussion by the DA team.				
	Some other options include regular sharing of technical information and perspectives on DA determinations between the professional staff, with cross referencing to similar or exceptional matters, and building a body of knowledge of the local area. This could be done by emailing determinations made in the past month among the planners or having regular meetings to discuss issues and reasons for determinations, to ensure a consistent approach.				
	During the clearing house process, potential contentious issues and conflicts of interest are discussed then allocations and referrals are defined to accommodate this. However, the potential risks and agreed resolutions are not normally documented therefore evidence of the discussion may not be available in the event of a challenge to the determination.				
Recommend	tions				
No.	ecommendation Priority Responsible Officer Due Date				

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2.1	It is recommended that a monthly meeting be held to update professional staff on potentially contentious issues or higher risk DA's and discuss consistent approaches. Where it is considered a higher risk, these decisions and recommendations should be documented for future reference.	Medium	Manager Development Services	30 June 2020	
2.2	It is recommended that where higher risks are identified at the clearing house meeting, a note be added to the clearing house sheet which should be passed on to staff if appropriate. Similarly, a note should be made of any potential conflicts or disclosures of interest.	High	Coordinators and Manager Development Services	02 December 2019	
Managen	nent Response to Recommendations	"		7.0	
2.1	Agree with recommendation. This has been tasked to Development Services Coordin disclosure or interest and document it on the clearing house sheet. High risks identiful meetings.		, .		
2.2	Agree with recommendation. This has been tasked to Development Services Coordinators to identify high risks and potential conflicts disclosure of interest and document it on the clearing house sheet. High risks identified will be discussed at the monthly Business Unit meetings.				

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Finding 3	Service to Customers and Development Information
Risk Identified	Inadequate information provided to applicants and the public may result in the refusal of the development application and inefficient operations.
	Information may not be appropriately disclosed and retained resulting in reputational damage and noncompliance with the legislation and Council's policies.
	Lack of access and/or inappropriate level of access to corporate data leading to inefficient and ineffective processing, monitoring and decision making.
Summary of Findings	Council is required to assist applicants in lodging an application that has a reasonable chance of being approved. Council must provide detailed information to the public about all developments lodged and determined to meet its objectives, community obligations and comply with the legislation. Failure to obtain all information relevant to the application may result in refusal.
	Information on Council's performance, especially in regard to efficiency of DA processing and determination, or for complaint handling, is difficult to find on Council's website. Some information is in the Annual Report but does not appear in the website searches.
	The Annual Report 2017/18 notes an objective to "investigate and implement opportunities to improve assessment processing times for development applications with demonstrated improvement in assessment processing times, and a target of 90% of Housing DA's determined within 40 days." The results indicate that DA turnaround times have steadily improved over the last 12 months, but there are no other statistics or information reported externally.
	A Customer Satisfaction Survey was conducted in 2018, however, the report is not on the website. Results indicated best areas of performance were that respondents indicated they strongly understood the assessment process, the Development Advisory Service experience was positive, Conditions of Consent were easy to understand, Pre Lodgement Checklist was simple and easy to complete, and the advice provided at Pre Lodgement phase was relevant to them. The factors that customers valued the most were fair decisions and being kept informed of the progress of their DA's.
	The Customer Satisfaction Survey revealed that the areas where most improvement was needed were that respondents who engaged with a councillor for resolution rated their experience as poor, they were dissatisfied at the length of time it took for the assessor to request further information, they were disappointed at the length of time for initial contact, dissatisfied at the responsiveness of the assessing officer, and dissatisfied at the way in which Council communicated with them throughout the assessment process.

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The results of the Survey have been assessed by management and reported to the Planning Committee meeting on 24/9/18. Management has implemented some changes such as the Clearing House process, monitoring planners workloads and ensuring timely communication with applicants to address these concerns. Council is monitoring progress and has taken the initiative to conduct this independent audit.

There have been some concerns from the team leader DAS about the degree of cooperation and synergy between the customer service staff and the DAS team. The Customer Service/DAS area in the foyer at the Rockdale premises is divided into 2 counters. If customers go to the Customer Service counter first, they may not receive the answers to their inquiries they need and would then have to be directed to queue at the other counter. The physical layout of the customer service and DAS areas may have contributed to this issue.

There were a few minor errors noted in information input to Pathways including redundant fees and a cheque that was scanned in unnecessarily. These should be reviewed and amended when identified.

The audit process was hampered and delayed by the inability to access the documents and systems required to complete the testing. In spite of numerous requests to various staff, the required documents were not produced in a timely manner.

Recommendations

No.	Recommendation	Priority	Responsible Officer	Due Date
3.1	Council should investigate what other councils are doing for front of house customer service and advice including physical layout and capture and processing of customer requests.	Low	Manager Development Services and DAS Coordinator	30 June 2020
3.2	Council should consider running a community information session for architects and homeowners as per the suggestion in the customer satisfaction survey for a 'Talk to a Planner' forum.	Low	Manager Development Services and Coordinators	30 June 2020

Management Response to Recommendations

3.1 Agree to recommendation. This has been tasked to the Customer Relations Analyst to review setup of customer service areas within other Councils. Potential options will be discussed with the Manager Development Services and further action will be taken if suitable.

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3.2 Agree to recommendation. This has been tasked to the Customer Relations Analyst to scope sessions. Depending on the scope of these sessions, a schedule to deliver these sessions will be put in place.





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Finding 4	ng 4 Update complaint handling policy and customer requests processing.							
Risk Iden	ntified	Lack of a systematic process for capturing and actioning complaint to damage to Council's reputation, failure to identify control break			lation of issues leading			
Summary of Findings The complaint handling guideline for staff is well written, in a Training in complaint handling has not occurred for several years. The Complaints Policy viewed during the audit was dated 2005.								
		Due to role confusion, some customer service staff may not be consistently registering inquiries, requests and complaints. The audit was not able to find a register of complaints and follow up, but individual examples were sighted. The website provides for online submission of feedback link and form and process. Audit reviewed the records for May and June (all Council). There were 29 feedback forms received (both compliments and complaints), of which only 2 minor issues were in relation to DA's. The audit found that complaints are not systematically registered, tracked and actioned. The CRM module attached to TRIM does not seem to be used for systematically logging, allocating and tracing all customer requests and complaints. The team leader DAS noted that there are differing approaches to dealing with complaints and customer requests, which has resulted in ad hoc filing, allocation and monitoring of tasks. The audit noted that some policies and procedures are still badged as the former Rockdale Council in the electronic document management system (CM), some docs (CM ref 19/35205. 19/35170) are labeled complaints but are examples of policies that						
		belong to other organisations and should be properly named.						
Recomm	endations							
No.	Recom	mendation	Priority	Responsible Officer	Due Date			
avail hand		aint Handling policy should be updated, and a current version made ble on Council's website. When the policy is completed, a complaint ng refresher training for customer service and DAS staff should be nented within the next 12 months.	Low	Manager Customer Service Experience	30 September 2020			
4.2	.2 Council should review its use of CRM/TRIM for registering, classification, referral, tracking, actioning, monitoring, and reporting of customer complaints, compliments and requests. This includes providing a "triage" of				30 September 2020			

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	phone calls and counter visits, consistent file naming and reporting of complaint handling.					
Managen	nent Response to Recommendations					
4.1	Agree with recommendation. The Manager Customer Service Experience is currently working on this with the Coordinator Policy.					
4.2	Agree with recommendation. The Manager Development Services, Customer Relationship Analyst and Manager Customer Service Experience will work together to review classifications in CRM and best practice of saving these to Content Manager.					





Finding 5	5 Improving the DA Assessment Process					
Risk Iden	Council may not comply with its obligations for efficient and effective processing of development applications if information is inaccurate, incomplete or not properly documented.					
	There is a risk to Council's reputation if the improvements suggested from the customer satisfaction survey for development assessment are not actioned					
Summar	Bayside Council is still operating 2 systems for capture and processing of DA's originating from the pre-amalgamation entities, but currently being transferred to one system so all templates are standardised for letters and notifications. The map overlay in DA tracker helps to indicate current and determined DA's in an area which mitigates the risk of inconsistency to an extent, however, the mapping needs to be updated as staff report that some information such as boundaries, is incorrect.					
	Meetings with applicants are not routinely recommended as a matter of course either at pre-lodgement or during assessment, nor in requests for further information (e.g. the 14 day or 21 day letters). Audit noted that only 27 DA's of 311 DA's registered from January to June 2019 had documented a pre-lodgement meeting.					
	Where a pre-lodgement meeting has occurred, then a DA is lodged at a future date, there is no link of pre DA meetings with DA's in either ASESS or Pathways or TRIM. The process relies on the officers to perform a search of the property file to identify any meetings documented previously to review what has happened or been advised before. There is a risk that information and advice previously given regarding a DA may be missed. When DA's are lodged, officers should check if a pre-DA meeting has been held and link the documentation as pre-lodgement meetings do not have the same reference as the DA file.					
	The inspection reports reviewed during the audit were considered to be lacking in sufficient detail and important information such as the inspection date, is not captured in the Pathways or ASSESS systems.					
	Management advises that the existing DCP's and LEP's are currently under revision, therefore Council needs to continue to apply the old instruments and provide input into the development of the new ones.					
Recomm	fations					
No.	Recommendation Priority Responsible Officer Due Date					

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5.1	Council should consider a more proactive approach to suggesting pre- lodgement DA meetings and information sessions with applicants to ensure that the application has a greater chance of meeting the criteria for approval.	Medium	Manager Development Services	02 Dec 2019		
5.2	Where possible, cross referencing to pre-lodgement meetings should be included in the DA file and mapping layer. A note on the DA process checklist would prompt staff to search and note any Pre-lodgement meeting documentation and include its consideration in the DA assessment process. Council should investigate the possibility of having an automated reminder that a Pre DA has occurred when the DA is lodged.	High	Manager Development Services and DAS Coordinator	30 June 2020		
5.3	Council should consider re-designing the inspection form to ensure that sufficient information (including links to photographs with commentary) and dates is captured and filed in TRIM, then enter the information into the Pathways. For future consideration, Council could automate the inspection form so that it can be completed online while on site and uploaded with the photos (similar to tablets used by regulatory and compliance officers in other councils).	High	Manager Development Services	31 Dec 2019 31 Dec 2020		
Manage	ement Response to Recommendations					
5.1	Disagree. The current process has been for the DAS team to encourage applicant: their professional opinion that the applicant would benefit from the process. This projects. It would not be beneficial to do this for all DA lodgments as the addition be of little value.	s process is t	usually beneficial for hi	gh-value complex		
5.2	Agree with recommendation. This has been tasked to the DAS Coordinator to engage with IT Applications to investigate automation. Coordinators will check as part of the clearing house process if a pre DA has occurred and note this on the clearing house sheet for the assessing officer's information.					
5.3	Disagree with risk rating and redesigning the inspection form because it is used as a point of reference, not as part of the assessment. However, agree with reviewing the Inspection form in its current state and ensuring that this is completed in full when an assessing officer is on site and this is then updated into appropriate systems. Further discussions will need to take place regarding automation with tablets etc. The due date for this will be December 2020.					

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Finding 6	Review of development application fees required.							
Risk Ident	ntified Incorrect fees may be charged resulting in loss of Council income.							
Summary Findings	Approved fees, including indexed developer contributions, are programmed into Pathways at the beginning of the financial year when the approved fees and charges schedule is adopted by Council.							
	The audit observed that the DA fee calculation sheet does not contain any calculations and staff just draw a circle arou the categories of fee information listed. However, the calculation itself is not evidenced on the DA Fee Calculation Sheet Staff select the fee type evidenced on this sheet and input the fee type, which is automatically calculated in Pathways as fees are pre-programmed into the system for each category of fee. The DA Fee Calculation sheet is scanned into TRIM freview if required.							
	Planners check values and fees, but this occurs after the fee has been paid. After some initial system access issues, Audit was able to check the fee determination and calculations and did not find any errors in the sample.							
	Some fees (such as footpath inspection fees) are raised in Pathways at the time of lodgement of the application DA is refused or withdrawn, those fees are no longer applicable. The audit found some examples where the fee recorded in Pathways as unpaid. These fees should be reversed from Pathways and adjusted in debtors account							
	Previously, fees from the former Botany Council were manually input into the Authority system at the time of lodge. The data migration of Authority transactions into Pathways currently underway, involves data cleansing and verification, including fees levied and paid. A separate spreadsheet capturing fees applicable as conditions of combeen compiled and checked against the migrated data in Pathways to ensure fees have been correctly allocated to and a receipt reference has been noted. Staff are aware that not all developer contributions for the former Botany Council have been correctly indexed at of payment. This issue will be dealt with in the separate audit report on Developer Contributions.							
Recomme	dations							
No.	Recommendation Priority Responsible Officer Due D							
6.1	It is recommended that Council review DA fees outstanding for DAs determined as refused, withdrawn or expired, to determine if fees raised at the time the DA was lodged, are now no longer applicable such as footpath fees and developer	30 June 2020						

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	contributions. These subsidiary fees that are no longer applicable should be reversed with appropriate notation of the reason for the reversal.		consultation with Manager Finance			
6.2	Once the migration of data from Authority is complete, it is recommended that Council review its fee calculation templates to improve control over calculating and checking of the fees payable by combining the DA fee calculation sheet, fee table and the fee inquiry sheet, including evidence of the calculation, dates and the officers responsible for the calculation and checking.	Medium	Manager Development Services in consultation with Manager Finance	30 June 2020		
Manageme	ent Response to Recommendations					
6.1	Agree with recommendation. The Manager Development Services will work with the Manager Finance to conduct an internal review of the process outstanding fees.					
6.2	Agree with recommendation. This has been tasked to the DAS Coordinator to review the templates.					

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Finding 7	Control Environment Improvement
Risk Identified	Development Services objectives may not be achieved if the control environment (culture) is not conducive to the effective control of processes and functions, resulting in unreliable information, inefficiencies, and noncompliance with policy.
Summary of Findings	Assessing the control environment in which the internal control system operates, assists in determining the strength and effectiveness of internal controls in managing risk. The COSO internal control model is used for defining the control environment. The importance of the control environment and the use of the COSO model to review the control environment are referred to in Bayside's procedures and recommended by the NSW Audit Office and the Institute of Internal Auditors. The control environment consists of the following elements:
	 Integrity and ethical values Commitment to competence Management's philosophy and operating style Organisation structure HR policies and practices Standards and procedures, codes, policies Executive and Audit Committee scrutiny of management activities Appropriate job descriptions Risks identified and managed Information flow and communication Remedial action for issues identified
	The Audit consultant facilitated a survey of the Development Services and the Strategic Planning management and team leaders based on these components, to gauge the strength of the current control environment and to identify any issues. A survey was also completed for the Strategic Planning team and will be reported separately.
	The Survey indicated that the control environment strengths for the Development Services team are the integrity and ethics of the management and staff of the section and the support given to the section by the People and Organisational Culture (POC) team. Most staff were satisfied with the level of service offered to applicants and other external stakeholders.
	The survey identified that the issues requiring management attention included poor collaboration and patchy communication across departments, challenges in getting information from other departments and a silo mentality by some parts of the organisation. Staff commented that there is an attitude of "it's not my responsibility" when trying to resolve issues with other

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business units across Council. The flow of information to and from the Customer Services and Development Advisory Services (DAS) areas is perceived to be inconsistent.

Some examples of potentially beneficial workgroups or collaborative meetings include:

- · the current review of corporate systems access being conducted by IT,
- the documentation of workflows and procedures for developer contribution applicable to development applications, and/or
- review of information presented on Council's website for Development Services.

It was recognised that the updating of policies, plans and procedures is still a work in progress. There are challenges in using the old versions until the new documents are fully developed and operational. This impacts the reliability and consistency of the information. The audit observed that there is a risk of uncertainty about which plan, or policy is applicable for assessing DA's and determining contributions, with time expended finding and checking that the right policy/plan or procedure was used. Once the policies and plans, including new LEP and DCP, with updated Contributions Plans are consolidated and in place and all relevant staff are trained, the uncertainty should be reduced and the process will become more efficient.

The audit noted that several procedures documents are currently being drafted to assist the Development Services, DAS and Customer Services teams to ensure consistency and clarity.

The survey also highlighted that staff felt that while risks at the organisational level are well documented and managed, there was acknowledgment that the risks in Development Services have not been identified and assessed in the same manner. This is also discussed in Finding 2.

Recommendations					
No.	Recommendation	Priority	Responsible Officer	Due Date	
7.1	Improve interdepartmental communication and understanding of roles in multidisciplinary project work groups to understand end to end processes, control frameworks, and the various roles and responsibilities for existing or new groups.	Medium	Director City Futures, Manager Development Services	30 June 2020	
7.2	Review the results of the Control Environment Survey and where appropriate extend the survey to other team members to validate the responses across the team. The Development Services Manager could initiate a frank discussion with other business units to identify mutual problems, collaborate on interim	Medium	Manager Development Services	30 June 2020	

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	measures for reducing issues while the systems and policies are being updated, and proposing innovative solutions for long term improvement of the control environment.					
Manage	ement Response to Recommendations					
7.1	Agree with recommendation. The Director City Futures will engage with existing working groups that his directorate is involved in to explain the role and purpose of the group at the monthly Directorate meeting. An agenda for meeting will be available, highlighting the working group which will be presenting.					
7.2	Agree with recommendation. The Manager Development Services will engage wit areas and ways of improving. This project will start within the City Futures Director Progress on this will be evidenced through meeting invites and meeting notes tak	orate and th			,	





Appendix 2: Summary Risk Assessment

Risks	Inherent Risk Level	Existing Controls	Residual Risk Level
Inaccurate or incomplete information, or inefficient information management tools could lead to inefficiencies in processing, poor decision making, or non-compliance with the Act and Council policies and procedures. Information may not be appropriately disclosed and retained		Council has policies and procedures, checklists and training of staff to ensure that information is accurate and complete.	Medium
resulting in reputational damage and noncompliance with the legislation and Council's policies.			
Information on Council website and mapping tools may be inadequate resulting in incomplete assessments or inefficient operations.	High	Mapping tools, while inefficient, provide information to compliment the information on the website and internal council systems	Medium
Inconsistent assessment practices may lead to noncompliance with development application requirements, inappropriate approvals and potential legal challenge.	Edvene	Qualified staff, Pre-lodgement, lodgement, assessment and determination procedure and oversight by Coordinators and manager Development Services.	Medium
Failure to provide reasonable assistance to applicants in lodging an application that has a reasonable chance of being approved, may result in an inappropriate refusal of the development application, leading to criticism of Council, noncompliance with it objectives and potential legal action.		Council provides an advisory service and professional advice from the Planners, and a Clearing House process to provide an initial review of the DA's lodged.	Low
Failure to provide detailed information to the public about all developments lodged and determined may lead to Council being unable to meet its objectives, community obligations and comply with the legislation.	High	Council provides information on its website, on the DA Tracker and Mapping tool, and through its customer service and Development Advisory Service. Applicants and those making submissions are notified of the outcome of DA assessments	Low

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Risks	Inherent Risk Level	Existing Controls	Residual Risk Level
There is a risk that if Council does not have a systematic process for capturing and actioning complaints and requests, issues may escalate leading to damage to Council's reputation, failure to identify control breakdowns and possible legal action	High	Complaints are registered in TRIM and allocated to officers to resolve. Council has a Complaints Handling Policy and some staff have received some training some time ago.	Medium
Inefficient or ineffective processing of Development applications due to inaccurate, incomplete information or not properly documented, leading to failure to achieve Council's objectives and noncompliance. Failure to implement improvements suggested from the customer satisfaction survey for development assessment leading to risk to Council's reputation, inefficient operations and noncompliance with Council's obligations.	High	Council staff have checklists to assist with the proper processing of DA's, systems tools including mapping layers, property, assessment and records management software with inbuilt controls and management oversight to check quality of work.	Low
Incorrect fees may be charged resulting in loss of Council income.	High	Standard fees and calculation basis are programmed into Pathways then applied by Customer Services and checked by Assessors.	Medium
Data migration from Authority to Pathways may result in incorrect fee history allocated to DA's	High	Data migration of fee information is being double checked by Development Services staff using a cross referenced spreadsheet of DA's	Medium
Development Services objectives may not be achieved if the control environment (culture) is not conducive to the effective control of processes and functions, resulting in unreliable information, inefficiencies, and noncompliance with policy.		Communication, ethics and integrity within the Development Services team ensure that internal controls are operating effectively.	Low
Standards, procedures, codes, policies are outdated incomplete, inconsistent or difficult to understand and confusing, resulting in a failure to follow consistent practices, and noncompliance.	High	Policies and procedures are currently being updated and consolidated by Development Services and DAS.	Medium

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Risks		Existing Controls	Residual Risk Level	
Communication breakdowns and unreliable information leading to operational inefficiency, inaccurate and incomplete information and delays in achieving business unit objectives.	High	Existing controls for communication and information flow are not always reliable and need to be improved.	Medium	



Item No 5.3

Subject Final Events Management Audit Report

Report by Natasha Balderston, Internal Auditor

File SF19/211

Summary

As part of the 2018/19 Audit Plan, Internal Audit undertook an audit on the Events Management process. The objective of the audit was to assess the adequacy and effectiveness of existing processes and controls in mitigating risks associated with the management of Council's events. This area was included in the audit plan because, at the point of development, the risks associated with managing large crowds of people in public spaces within the Bayside LGA had an inherent risk rating of 'extreme' and a residual risk rating of 'very high' in Council's Strategic Risk Register.

The audit identified some positive findings and areas for improvement. The areas for improvement are ranked in terms of risk rating with four very high risks issues, five high risks issues and one medium risk issue. Recommendations are also made to improve the business area's processes and strengthen their controls.

Based on the impact and consequences of the findings, the overall audit risk rating is 'Very High Risk'.

The Communications and Events Lead has accepted ten out of thirteen findings and recommendations. All findings, recommendations and management actions will be inputted into Pulse to for tracking, follow up and verification. Results from the verification process will be communicated to the Risk and Audit Committee in a timely manner.

Officer Recommendation

- 1 That the Risk and Audit Committee receives and notes the Final Internal Audit Report on Events Management
- 2 That the Risk and Audit Committee notes that Internal Audit will follow up and verify the implementation of the recommendations when they become due.

Background

This internal audit was undertaken as part of Council's approved Internal Audit Plan for the year ending 30 June 2020. Events Management was included as part of the audit plan because the risks associated with managing large crowds of people in public spaces within the Bayside LGA. The risk has been rated as an 'Extreme' inherent risk and a 'Very High' residual risk in Council's Strategic Risk Register.

Council has planned 22 major events for 2018/19, with a budget of \$1.2M and an expected attendance of around 111,000 people. This does not include ad-hoc events, official opening

ceremonies, citizenship ceremonies, smaller events and activities such as library programs, community capacity building programs, community safety programs and environmental programs.

The objective of the internal audit was to assess the adequacy and effectiveness of processes and controls in mitigating risks associated with the management of the Council's events.

The scope of this internal audit included the following:

- Review of compliance with Council's relevant policies, procedures and guidelines, including procurement policies and procedures, the engagement of suppliers, volunteer and child protection screening;
- A detailed review of supporting documentation for a sample of events, including
 processes for planning, risk assessment, selection of suppliers and approvals prior to
 events taking place, and for events that have already occurred, reviewing processes that
 ensure that agreed budgets have been adhered to when post activities have been
 completed.

Internal Audit observed that the Council has a number of key control processes and practices in place for the planning and execution of major events.

The internal audit highlighted several positive findings, together with ten areas for improvement and twelve related recommendations. A summary of these findings are as follows:

Positive findings:

- The Events Management Team is knowledgeable and exercising necessary diligence in the planning and execution of events.
- The Team has been successful in ensuring that the expenses on events are within the overall event budgets.
- The Team has comprehensively maintained documentation relating to events, to the best of their abilities, despite the lack of formal policies and procedures.

Areas for improvement:

Very high risks issues

- There is a need for a formal signoff by Executive Management to commence an event so
 that there is a proactive oversight and governance that all required conditions and control
 measures have been addressed.
- There is a need to ensure that Council's Risk Matrix is consistently applied for all risk assessment activities, including Major Events, so that the risk rating outcomes have a single source of truth for interpretation and reference.
- There is a need to formally document that all control measures, identified in the Risk Assessment Plan for each Major Event, has been appropriately addressed and confirmed by the person responsible.
- There is a need to ensure that all Council and Contractor employees like Security Guards etc., who are present during an event that involves children, have the necessary Working

with Children Check. Although the Council is currently compliant as per legislation, this would be better practice and in line with the Royal Commission's recommendation.

High risk issues

- The audience numbers estimated for events need to be formally calculated, based on defined parameters, and documented for every event. This will provide management with an assurance that all parameters for estimating audience numbers have been considered and assist in mitigating issues around event planning and management.
- Policies and procedures for events management need to be formalised to ensure consistency, compliance, accountability and responsibility.
- There is a need for a Report Card to be formalised at the end of each event, so that
 Executive Management can determine how successful the event was. It would also assist
 Executive Management and the Events Team in making informed decisions on improving
 the event management process for future events.
- There is a need to ensure that food stalls at events are inspected by the Council's Health Regulation area as a mandatory process to ensure food safety.
- There is a need for an improved partnership and collaboration between the Finance function and Events Management team to manage the events budgets and allocation of expenses.

Medium risk issue

• There is a need to undertake a formal root cause analysis for every Health & Safety Incident that occurs at each event organised by Council.

As a result of the impact and consequences of the findings, the overall audit has been rated as Very High Risk.

The Communications and Events Lead and the Executive Committee has reviewed the report and accepted ten out of the thirteen recommendations. The table below provides a summary of the three recommendations that was not accepted:

Ref to report	Recommendation	Management comment	
R2 It is recommended that Council's formal Risk Matrix be applied for all risk assessment activities undertaken by Council. Where external consultants are appointed for any such exercise, they should be provided with Council's Risk Matrix to be used for their reporting and conclusions.		Governance & Risk will evaluate the event management specific risk matrix and how it can be embedded within Council's risk management policy and strategy. In the interim strategic and operational risks relating to events management will continue to be evaluated within the current framework.	
R4	It is recommended that Council consider moving towards best practice and the Royal Commission's recommendation on Working with Children Check and formalise an internal policy that all Council and Contractor Employees present at events involving children must have this check.	Noted. Council has considered this recommendation and believes that the current Working with Children Check (as required by current legislation) is sufficient.	

R6	It is recommended that the parameters used for estimating audience numbers prior to the event be reviewed with actual data for those parameters after the event, to determine the actual audience numbers and use these numbers for budgeting and planning for that event next year.	Disagree. it is not realistic to obtain actual numbers for major events due to multiple entry points and the coming and goings of attendees. A reasonable estimate can be obtained visually or statistically from the participants in
	,	activities in the events.

The Communications and Events Lead has also advised that she will trial the recommendation on the 'Go Live' signoff for one major event a year for three years to test its effectiveness. The major event nominated for this purpose is the New Year's Eve event.

Details on the findings, recommendations and management comments can be found in the final audit report attached.

All findings, recommendations and management action plans will then be inputted into PULSE for tracking, follow up and verification. Results from the verification process will be communicated to the Risk and Audit Committee.

Attachments

FINAL - Internal Audit of Events Management - November 2019 J

BAYSIDE COUNCIL (BC)

Internal Audit of Events Management

November 2019

IBD



Distribution

Party	Title
Meredith Wallace	General Manager, BC
Debra Dawson	Director City Life, BC
Michael Mamo	Director City Performance, BC
Christine Stamper	Communications and Events Lead, General Manager's Office, BC
Fausto Sut	Manager, Governance & Risk, BC
Natasha Balderston	Internal Auditor, BC
Sean Pascoe	Partner, BDO
Steve Kent	Associate Director, BDO

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Bayside Council - Internal Audit of Events Management- September 2019

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Арре	Appendix B - List of staff interviewed					
Appe	Appendix C - Summary of recommendations for action					
Appe	Appendix D - Bayside Council's risk assessment matrix					

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Bayside Council - Internal Audit of Events Management- September 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 July 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 Events Management- September 2019

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Item 5.3 – Attachment 1

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Executive Summary

Executive Summary

1.1 Introduction

This internal audit was undertaken as part of Bayside Council's Approved Internal Audit Plan for the year ending 30 June 2020.

Event Management is rated as an Extreme Inherent Risk and a Very High Residual Risk in the Council's Strategic Risk Register.

The Major Events Calendar for 2018/19 confirmed that Council had planned 22 Major Events, with a budget of \$1.2M and with 111,000 people expected to attend. This calendar excluded adhoc events, official opening ceremonies, citizenship ceremonies, smaller events and activities such as library programs, community capacity building programs, community safety programs and environmental programs.

1.2 Objectives and scope

The objective of this internal audit was to assess the adequacy and effectiveness of processes and controls in mitigating risks associated with the management of the Council's Events.

The scope of this internal audit included the following:

- Review of compliance with Bayside's relevant policies, procedures and guidelines, including procurement policies and procedures, the engagement of suppliers, volunteer and child protection screening;
- A detailed review of supporting documentation for a sample of events, including processes for planning, risk assessment, selection of suppliers and approvals prior to events taking place, and for events that have already occurred, reviewing processes that ensure that agreed budgets have been adhered to when post activities have been completed.

The internal audit covered the period 1 July 2018 to 30 June 2019.

Bayside Council - Internal Audit of Events Management- September 2019

1.3 Approach

The key steps in our approach included:

- Conducting a scoping confirmation / kick off meeting with key Bayside stakeholders to outline our approach, information requirements, to obtain stakeholder input, agree on an interview timetable, agree on a project plan / timetable etc.;
- Reviewing relevant policies, procedures and guidelines for the purpose of obtaining an understanding of the planning and management of events, including Councils' sponsorships and partnerships (refer Appendix A);
- Interviewing relevant key personnel as part of a walkthrough of key procedural and control practices to assess the design of the control environment (refer Appendix B);
- Examining a representative sample of events that have already been held
 and the planning of events that are being held after 30 June 2019. This
 included an assessment of the application and adherence to procurement
 guidelines, the conduct of risk assessments, the processes involved in the
 engagement of suppliers, the processes related to volunteer screening
 and child protection screening and preparation and adherence to agreed
 budgets;
- Evaluating our findings in accordance with Bayside's risk rating scale (refer Appendix D);
- Conducting an exit meeting with management following completion of the field work to discuss:
 - Our findings.
 - Recommendations for improvements in relation to these findings;
- Preparing draft and final reports of findings and recommendations and clearing with Bayside Management.

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Executive Summary

1.4 Summary of key findings

During the internal audit, it was observed that the Council has a number of key control processes and practices in place in the planning and execution of events.

Our internal audit work highlighted several positive findings, together with ten areas for improvement and related 12 recommendations. These are summarised below and in more detail in Section 2 of our report.

Positive findings

- The Events Management Team is knowledgeable and exercising necessary diligence in the planning and execution of events.
- The Team has been successful in ensuring that the expenses on events are within the overall event budgets.
- The Team have comprehensively maintained documentation relating to events, to the best of their abilities, despite the lack of formal policies and procedures.

Areas for improvement

- There is a need for a formal signoff by Executive Management to
 commence an event so that there is a proactive oversight and governance
 that all required conditions and control measures have been addressed.
 This approach gains significance as events have been rated as an Extreme
 inherent Risk and a Very High Residual Risk in the Council's Strategic Risk
 Register. A formal signoff would demonstrate a top down ownership of
 this significant risk and activity of the Council Refer Detailed Report
 item 2.1. Very High Risk.
- There is a need to ensure that Council's Risk Matrix is consistently applied for all risk assessment activities, including Major Events, so that the risk rating outcomes have a single source of truth for interpretation and reference - Refer Detailed Report Item 2.2. Very High Risk.

Bayside Council - Internal Audit of Events Management- September 2019

 There is a need to formally document that all Control measures, identified in the Risk Assessment Plan for each Major Event, has been appropriately addressed and confirmed by the person responsible - Refer Detailed Report Item 2.3. Very High Risk.

- There is a need for ensuring all Council and Contractor employees like Security Guards etc., who are present during an event that involves children, have the necessary Working with Children Check. Although the Council is currently compliant as per legislation, this would be better practice and in line with the Royal Commission's recommendation - Refer Detailed Report Item 2.4. Yery High Risk.
- The audience numbers estimated for events need to be formally calculated, based on defined parameters, and documented for every event. This will provide management with an assurance that all parameters for estimating audience numbers have been considered and assist in mitigating issues around event planning and management - Refer Detailed Report Item 2.5.
 High Risk.
- Policies and procedures for events management need to be formalised to ensure consistency, compliance, accountability and responsibility - Refer Detailed Report Item 2.6. High Risk.
- There is a need for a Report Card to be formalised at the end of each event, so that Executive Management can determine how successful the event was. It would also assist Executive Management and the Events Team in taking informed decisions on continually improving the event management process for future events - Refer Detailed Report Item 2.7. High Risk.
- There is a need to ensure that food stalls at events are inspected by the Council's Health Regulation Department as a mandatory process to ensure food safety - Refer Detailed Report Item 2.8. High Risk.

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Executive Summary

 There is a need for an improved partnership and collaboration between the Finance function and Events Management team to manage the events budgets and allocation of expenses - Refer Detailed Report Item 2.9. High Risk.

 There is a need to undertake a formal root cause analysis for every Health & Safety Incident that occurs at each event organised by Council - Refer Detailed Report Item 2.10, Medium Risk.

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

1.5 Overall Engagement Rating

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

Rationale for the Risk Rating - Events organised by the Council have been rated as an Extreme Inherent Risk and Very High Residual Risk in the Council's Strategic Risk Register. Despite this, our internal audit has identified four Very High and five High risks currently in this area. These require immediate attention by Executive Management so that appropriate controls are set in place to mitigate all identified risks in this report.

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 have been discussed and agreed with Christine Stamper, Communications & Events Lead.

Yours sincerely

Sean Pascoe

Partner

BDO Risk Advisory

Bayside Council - Internal Audit of Events Management- September 2019

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Item 5.3 – Attachment 1

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Detailed findings

Detailed findings

2.1 Governance over Event Commencement

Risk Rating

Very High

Observations

There is a need for a formal signoff by Executive Management to commence an event so that there is a proactive oversight and governance that all required conditions and control measures have been addressed.

Currently, there is no process or practice requiring anyone from Executive Management to formally review that all required processes, conditions and control measures for the event have been completed prior to the event commencing and should there be any conditions incomplete, a risk assessment to determine the implications has been undertaken.

The management of this process is with the Events Team, without any formal signoff from Executive Management.

Risks / implications

 Events organised by the Council have been rated as Very High. As a consequence, accountability and governance for the relevant risk should be top down from Executive Management to ensure compliance and adherence with all required processes and conditions.

Bayside Council - Internal Audit of Events Management- September 2019

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Detailed findings

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R1. It is recommended that an "Event Go Live" document be formalised that requires a formal sign off by the Communications and Events Lead and the Executive Manager for all major events. This document should cover as a minimum the following: • A confirmation that all processes and conditions for the event have been completed; • A confirmation that a formal risk assessment for processes or conditions incomplete has been undertaken and necessary mitigating strategies have been put into place; • A statement that based on the above the event can go live.	three years to test effectiveness. Will commence this process for New Year's Eve 2019. If deemed effective, it will be rolled	Kylie Gale Coordinator Events	31 March 2020

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Bayside Council - Internal Audit of Events Management- September 2019

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Detailed findings

2.2 Risk Assessment consistency

Risk Rating

Very High

Observations

There is a need to ensure that the Council's Risk Matrix is consistently applied for all risk assessment activities including Major Events, so that the risk rating outcomes have a single source of truth for interpretation and reference.

It was noted that Sheridan Consulting Group was appointed to undertake a strategic risk review for the 2018 New Year's Eve event. However, the Risk Matrix adopted by them was different from the Council's Risk Matrix, as is noted in the two charts below.

As an example, there would be an incorrect interpretation if, for an event risk, the Likelihood was Almost Certain (5) and Consequence was Low (1):

- Risk Rating applying Bayside Council's Risk Matrix = High
- Risk Rating applying Sheridan Consulting Group's Risk Matrix = Low

Bayside Council's Risk 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	Hgh	Very High
1. Rare	Low	Low	Low	Medium	High

Sheridan Consulting Group

Risk Matrix

		CONSEQUENCE				
LIKELIHOOD		Insignificant 1	Minor 2	Moderate 3	Major 4	Extreme S
Almost Certain	٨	Low	Moderate	10mm	Very High	Very High
Likely	8	Low	Moderate	Allegen	Steph	Very High
Possible	c	Low	Low	Moderate	men	mate
Unlikely	D	Very Low	Low	Line	Moderate	1980
Rare		Verytime	Very Low	Low	Moderate	mate

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Bayside Council - Internal Audit of Events Management- September 2019

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Detailed findings

Risks / implications

There is a risk that Executive Management may misinterpret a risk rating if the Council's risk matrix is not adopted. This could result in implementing incorrect
or ineffective control measures and preventive actions.

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
It is recommended that Council's formal Risk Matrix be applied for all risk assessment activities undertaken by Council. Where external consultants are appointed for any such exercise, they should be provided with Council's Risk Matrix to be used for their reporting and conclusions.	management specific risk matrix and how it can be embedded within Council's risk management policy and strategy. In the interim strategic and operational risks relating to events management will	Fausto Sut, Manager Governance and Risk	31 March 2020

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Bayside Council - Internal Audit of Events Management- September 2019

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Detailed findings

2.3 Completeness of Control Measures

Risk Rating

Very High

Observations

There is a need to formally document that all Control Measures, identified in the Risk Assessment Plan for each Major Event, have been appropriately addressed and confirmed by the Person Responsible.

Our review of the Risk Assessment Plans indicated that efforts are made to document all possible risks for an event and identify suitable Control Measures and Persons Responsible. There is however, no process requiring that the Person Responsible to formally confirm that they have suitably addressed the Control Measures allocated to them, before, during or after the event.

Some Examples:

Major Event	Risk Type	Control Measure	Audit Comments
NYE2018	Public Safety / Worker Safety Risk	Security Guards trained in First Aid	Council should obtain an Attendance Register from the Security Guard Company together with evidence that they have First Aid Training
	Infrastructure Site Risks	All contractors on site inducted to site	Council should obtain an attendance list of all contractor staff with evidence that they have been inducted to the site as required.
			These could both be a post event procedure

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Detailed findings

Risks / implications

. There is a risk that Control Measures may not be suitably addressed, exposing the Council to associated risks. This gains further significance with Major Events.

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R3. It is recommended that as a standard protocol for every Major Event, the Event Coordinator is made responsible for obtaining a confirmation from the concerned Person Responsible - individual staff, contractors etc. that they have suitably addressed the Control Measures allocated to them, together with evidence of this compliance.		Kylie Gale, Coordinator Events	31 March 2020

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Detailed findings

2.4 Child Protection

Risk Rating

Very High

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Observations

There is a need for ensuring that all Council and Contractor employees like Security Guards etc., who are present during an event that involves children, have the necessary Working with Children Check.

Currently, such a check is not considered as part of the Risk Assessment undertaken for an event where children are attendees.

It is noted that according to the NSW Office of the Children's Guardian, it is not a mandatory requirement for employees to have this check, if they are not directly working in a child related activity. The Child Protection (Working with Children) Act 2012 No 5 also makes a similar interpretation. As such, the Council is currently compliant.

However, considering that the Council holds several events where families with children are the main attendees, it would be better practice to have an internal policy requiring this check. This would also make the Council follow the best practice as recommended by the Royal Commission (as confirmed by the Council's POC Department)

The Council needs to make a determination if it will move towards best practice.

Risks / implications

 There is a Reputation Risk should a child molestation related incident occur at an event where families with children are attendees, as the Council may be viewed as not exercising necessary Duty of Care by ensuring that all employees at the event have the necessary Working with Children Check.

Bayside Council - Internal Audit of Events Management- September 2019

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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 Council consider moving towards best practice and the Royal Commission's recommendation on Working with Children Check and formalise an internal policy that all Council and Contractor Employees present at events involving children must have this check.	Working with Children Check is sufficient.	N/A	N/A

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Detailed findings

2.5 Audience number estimates

Risk Rating

High

Observations

The audience numbers estimated for events need to be formally calculated and documented for every event as all planning for an event is based on these estimates.

There is no formal process where certain defined parameters are consistently applied to estimate audience numbers. Management has indicated that these estimates are based on a variety of parameters like crowd per square meter, wastage per cubic metre etc. However there is no practice to ensure that a formal record is maintained, as part of event planning, in order to ensure all parameters have been considered.

Risks / implications

There is a risk of incorrectly estimating audience numbers by overlooking critical parameters. This could result in the Council facing issues around crowd
management, facilities management etc. that could have been avoided.

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Detailed findings

	Recommendations	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R5	It is recommended that Management formalise a document that lists the parameters that need to be considered to estimate audience numbers. This document should then be completed for each event, as part of the planning process and retained as a permanent record. If any parameters are to be excluded, a justification should be documented.	Agree. This will, however, be incorporated into the go live document. a section will be added to show the estimated number of attendee and the reasoning behind that estimate.	Kylie Gale, Coordinator Events	31 March 2020.
R6	It is recommended that the parameters used for estimating audience numbers prior to the event be reviewed with actual data for those parameters after the event, to determine the actual audience numbers and use these numbers for budgeting and planning for that event next year.	Disagree. It is not realistic to obtain actual numbers for major events due to multiple entry points and the coming and goings of attendees. a reasonable estimate can be obtained visually or statistically from the participants in activities in the events.	N/A	N/A

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Bayside Council - Internal Audit of Events Management- September 2019

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Detailed findings

2.6 Policies and Procedures

Risk Rating

High

Observations

Policies and procedures for events management are minimal and need to be formalised to ensure consistency, compliance, accountability and responsibility.

It is noted that the Council has a "Guidelines for Events" printed brochure that is handed out to entities who are seeking to organise an event in the local government area. This comprehensive document lists all the terms, conditions, rules, and regulations that need to be complied with by such entities. It is also noted from discussions with management that the Event Coordinator normally follows these guidelines as a practice when the Council is organising its own events.

Risks / implications

- Absence of formal policies and procedures exposes the Council to the risk of not completing critical steps in the event management process.
- Lack of formal policies and procedures allows the current practices to be concentrated and known only to a few employees and should they exit the Council, it could expose the Council to a breakdown of processes and practices.
- Should there be administrative issues, absence of formal policies and procedures could result in wrongful allegations being made against staff who might not be accountable or responsible for those issues.

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Detailed findings

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R7. It is recommended that Policies and Procedures for events management should be formalised and reviewed annually to ensure they remain valid and current. In formalising, the "Developing a Council Community Event Policy - a Toolkit for NSW Councils" at https://www.olg.nsw.gov.au should be referenced.	Agree.	Christine Stamper, Communications and Events Lead Debra Dawson, Director City Life. (Members of the events Committee).	31 August 2020

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Detailed findings

2.7 Event Report Card

Risk Rating

High

Observations

There is a need for a Report Card to be formalised at the end of each event, so that Executive Management can determine how successful the event was.

Currently, it is understood that there are informal discussions and feedback received from Councillors and Executive Management on the event. However, these are personal views. A formal Report Card based on defined criteria or parameters would provide a logical basis for assessing the event's success or otherwise.

A formal Report Card would also assist Executive Management and the Events Team in taking informed decisions on continually improving the event management process for future events.

Risks / implications

- In the absence of a formal Report Card for an event, Management is unable to logically demonstrate how it measures the success or failure of an event and relies on informal feedback that could be biased and misleading.
- . There is a possibility that opportunities for continually improving Events Management processes, based on credible facts, figures and data, may be overlooked.

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Bayside Council - Internal Audit of Events Management- September 2019

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Detailed findings

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
formalised by Management. This should include	Agree. We will liaise with other Councils and the BDO auditor to determine if there is a template we could use. If not, we will develop a report card based off current parameters. Events Committee will review the report card.	Christine Stamper, Communications and Events Lead. Debra Dawson, Director City Life (Members of Events Committee).	30 September 2020

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Detailed findings

2.8 Food Safety

Risk Rating

High

Observations

There is a need to ensure that food stalls at events are inspected by the Council's Health Regulation Department as a mandatory process to ensure food safety compliance.

Currently, food safety does not specifically appear in the risk assessments undertaken by Council for an event that has food stalls.

Food safety refers to handling, preparing and storing food in a way to best reduce the risk of individuals becoming sick from foodborne illnesses. According to the Australian Institute of Food Safety when referring to food safety in Australian food businesses, the ownership is placed solely on the business itself and it must ensure that, all food handled and prepared in the business is safe to eat.

It is noted that Food Stalls at Council events are owned and operated by private businesses. However, as the event is owned and organised by Council, there should be a Duty of Care to ensure food safety.

Risks / implications

There is exposure to a reputation risk should there be a food related incident at an event that has food stalls, as the Council may be viewed as being negligent
by not exercising necessary Duty of Care to ensure food safety.

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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 the Council consider making food inspections by its Health Regulation Department a mandatory procedure for all events where there are food stalls.	for all events and included in the Go Live	Kylie Gale, Coordinator Events	30 November 2019.

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Bayside Council - Internal Audit of Events Management- September 2019

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Detailed findings

2.9 Budget and Expense Management

Risk Rating

High

Observations

There is a need for the Events Management Team to have more input as to how the budget for their area is structured in order to better manage the events budgets and allocation of expenses.

Currently, the Events Management Team does not have a good understanding of the events budgets, expense allocations, accounting terminologies and variance analysis. They tend to maintain their own excel based spreadsheets to monitor and track their financial commitments for an event. In their view, they are unable to determine if correct and appropriate expenses are being allocated against the specific event budgets because it is difficult to determine what accounts these expenses should go into. There also appears to be a general lack of understanding on how to interact with the financial system.

It was highlighted by the Finance function that they had extended a dedicated finance partner to the Events Management Team to assist them in all finance related matters. However, the current state indicates that this partnership is not working as desired.

Risks / implications

There is a risk that expenses unrelated to an event may be allocated to that event without the consent of the Events Management Team, resulting in inefficient
management of the events budgets.

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Detailed findings

Recommendations	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R10. It is recommended that the Council's Finance and Events Management functions examine the root causes of the ineffectiveness of the current system and determine strategies to overcome these shortcomings.	Agree. The Coordinator Events and Communications and Events Lead will initiate conversation with their Finance Partner on how to overcome the current shortcomings.	Christine Stamper, Communications and Events Lead. Kylie Gale (Coordinator Events)	31 March 2020
R11. It is recommended that Council's Learning and Development Department undertake regular training sessions to explain budgeting and accounting terminologies in simple and business like terms to the non-financial teams, so that these can be understood better.	Agree. Director City Performance to work with Learning and Development to run regular finance training	Michael Mamo, Director City Performance Kristina Forsberg, Manager POC	30 June 2020
R12. It is recommended that the Finance Business Partner and the Communications and Event Lead review the business area's expenses together and clarify what accounts these expenses should go into.	Agree. This will be conducted as part of the current budget's review.	Christine Stamper, Communications and Events Lead. Kylie Gale, Coordinator Events.	31 March 2020

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Detailed findings

2.10 Health & Safety

Risk Rating

Medium

Observations

There is a need to undertake a formal root cause analysis for every Health & Safety Incident that occurs at each event organised by the Council. There have been incidents but these have not been analysed for root causes. This should be undertaken systematically.

Currently, incident reports are prepared and radio logs are maintained noting incidents. There is however, no formal process to undertake a root cause analysis to determine the cause of these incidents so that the necessary preventive actions are implemented in future events.

Some examples from the New Year's Eve 2018 Radio Log where root causes should be determined are as follows:

- 4.20pm First aid incident (4.16pm) Kyeemagh resolved, twisted ankle, lady fell in hole in side street
- . 6.16pm Waterfills blocking entire end of Princes Street, should be three at south end
- · 7.43pm Illegal fireworks on Bay Street
- 7.48pm Police deploying buses, ESPA have lost control over buses

Risks / implications

There is a risk that mitigating strategies to prevent WH&S incidents from occurring in future events may not be addressed in the absence of a formal process.

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Detailed findings

Recommendation	Management comments	Role and Name of Officer Responsible for Action	Target Completion Date
R13. It is recommended that the Events Management Coordinator, as part of the post event exercise, undertake a Root Cause analysis of all incidents noted in the Incident Reports and Radio Logs and determine necessary mitigating strategies with concerned teams for future events.	-	Christine Stamper, Communications and Events Lead. Kylie Gale, Coordinator Events.	30 September 2020

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Appendix A

Appendix A - List of documents reviewed

No.	Title of document
1	Major Events Calendar 2018/2019 and 2019/2020
2	Media Communications & Public Relations Department Performance Report by Project YTD 30 June 2019
3	Guidelines for Events (Non-Council)
4	Community Land Event Application
5	Events Work Plan Calendar 2018/2019
6	Event Project Plan (Sample in Excel Format)
7	New Year's Eve 2018 planning and execution documents
8	Spring Fair 2018 planning and execution documents
9	New Year's Eve 2018 Radio Logs
10	Procurement Policy July 2017
11	RFQ Plant Hire for Council Events 2018/2019
12	RFT SF17/534 & Deed of Agreement - Events Services Infrastructure and Small Plant Hire, Specialist Security and Traffic Management

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Appendix B

Appendix B - List of staff interviewed

No.	Name of Staff	Position Held
1	Christine Stamper	Communications and Events Lead
2	Michael Mamo	Director City Performance
3	Mathew Walker	Manager Finance
4	Kylie Gale	Coordinator Events
5	Scott McNairn	Events Officer
6	Vladimir Villalobos	Finance Business Partner
7	Kristina Forsberg	Manager POC
8	Natasha Balderston	Internal Auditor

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Appendix C

Appendix C- Summary of Recommendations for Action

Recommendations	Management comments	Role and Name of Officer Responsible for Action	Target Completion
	for three years to test effectiveness. Will commence this process for New Year's Eve 2019. If deemed effective, it will be rolled	Kylie Gale, Coordinator Events	31 March 2020
 A confirmation that all processes and conditions for the event have been completed 			
 a confirmation that a formal risk assessment for processes or conditions incomplete have been undertaken and necessary mitigating strategies have been put into place 			
 a statement that based on the above the event can go live 			

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Appendix C

Rec	commendations	Management comments	Role and Name of Officer Responsible for Action	Target Completion
R2.	It is recommended that the Council's formal Risk Matrix be applied for all risk assessment activities undertaken at the Council. Where external consultants are appointed for any such exercise, they should be provided the Council's Risk Matrix to be referred for their reporting and conclusions.	Agree to use the Council risk Matrix, Will discuss with Risk Coordinator regarding the set-up of the matrix to ensure it accurately reflects the risk ratings of events.	Kylie Gale, Coordinator Events	31 March 2020
R3.	It is recommended that as a standard protocol for every Major Event, the Event Coordinator is made responsible to obtain a confirmation from concerned Persons Responsible - individual staff, contractors etc. that they have suitably addressed the Control Measures allocated to them, together with evidence to suggest this compliance.	Agree. Will implement this as part of the Go Live document in Recommendation 1.	Kylie Gale, Coordinator Events	31 March 2020
R4.	It is recommended that the Council considers moving towards best practise and Royal Commission's recommendation on Working with Children Check and formalise an internal policy that all Council and Contractor Employees present at events involving children must have this check.	Disagree. Council believes that the current Working with Children is sufficient.	N/A	N/A

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Appendix C

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Recommendations	Management comments	Role and Name of Officer Responsible for Action	Target Completion
R5. It is recommended that management formalise a document that lists the parameters that needs to be considered to estimate audience numbers. This document should then be completed for each event as part of the planning process and retained as a permanent record. If any parameters are to be excluded a justification should be documented.	Agree. This will, however, be incorporated into the go live document. A section will be added to show the estimated number of attendee and the reasoning behind that estimate.	Kylie Gale, Coordinator Events	31 March 2020
R6. It is recommended that the parameters used for estimating audience numbers, prior to the event, be reviewed with actual data for those parameters after the event, to determine the actual audience numbers and use these numbers for budgeting & planning for that event next year.	Disagree. It is not realistic to obtain actual numbers for major events due to multiple entry points and the coming and goings of attendees. a reasonable estimate can be obtained visually or statistically from the participants in activities in the events.	N/A	N/A
R7. It is recommended that Policies and Procedures for events management should be formalised and reviewed annually to ensure they remain valid and current. In formalising this "Developing a Council Community Event Policy - a Toolkit for NSW Councils" at https://www.olg.nsw.gov.au should be referred.	Agree	Christine Stamper, Communications and Events Lead. Debra Dawson, Director City Life. (Members of Events Committee).	31 August 2020

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Appendix C

Reco	mmendetions	Management comments	Role and Name of Officer Responsible for Action	Target Completion
R8.	It is recommended that an Event Report Card be formalised by management; this should include defined parameters or criteria to measure the success of an event.	Agree. We will liaise with other Councils and the BDO auditor to determine if there is a template we could use. If not, we will develop a report card based off current parameters. Events Committee will review the report card.	Christine Stamper, Communications and Events Lead. Debra Dawson, Director City Life. (Members of Events Committee).	30 September 2020
R9.	it is recommended that the Council consider making food inspection by its Health Regulation Department a mandatory procedure for all events where there are food stalls.	Agree. This will be implemented immediately for all events and included in the Go Live document referred to in Recommendation 1. All stallholders will be notified that Council's health inspectors will be undertaking checks on the day.	Kylie Gale, Coordinator Events	30 November 2019
R10.	It is recommended that the Council's Finance and Events Management function identify the root causes to determine the ineffectiveness of the current partnership and determine strategies to overcome those shortcomings.	Agree. The Coordinator Events and Communications and Events Lead will initiate conversation with their Finance Partner on how to overcome the current shortcomings.	Christine Stamper, Communications and Events Lead. Kylie Gale, Coordinator Events.	31 March 2020

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Appendix C

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Recommendations		Management comments	Role and Name of Officer Responsible for Action	Target Completion
R11.	It is recommended that the Council's Learning and Development Department undertake regular training sessions to explain budgeting and accounting terminologies in simple and business like terms to the non-financial teams, so that these could be understood without the need to be aware of technical terms.	Agree. Director City Performance to work with Learning and Development to run regular finance training	Michael Mamo, Director City Performance Kristina Forsberg, Manager POC	30 September 2020
R12.	It is recommended that the Events Management Coordinator, as part of the post event exercise, undertakes a Root Cause analysis for all incidents noted in the incident Reports and Radio Logs and determine necessary mitigating strategies with concerned teams for future events.	Agree. This will be conducted as part of the current budget's review. The Executive notes that there has not been any incidents to warrant anything further than current logs.	Christine Stamper, Communications and Events Lead Kylie Gale, Coordinator Events	31 March 2020
R13.	It is recommended that the Events Management Coordinator, as part of the post event exercise, undertake a Root Cause analysis of all incidents noted in the Incident Reports and Radio Logs and determine necessary mitigating strategies with concerned teams for future events.	Agree. This will be included as a section in the Report Card referred to in Recommendation 8.	Christine Stamper, Communications and Events Lead Kylie Gale, Coordinator Events	30 September 2020

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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		

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 many years to repair.	Council removed from office by Minister and Administrator appointed Investigation by ICAC or other agency with compulsory powers to examine witnesses in public hearings into substantial allegations of fraud and / or serious misconduct by Councillors or Officers	Sustained major negative impact on staff morale Serious injury requiring long term medical treatment Loss of life Major sustained breach of WHS Legislation, prosecution, Staff retention less than 80%	Environmental incident causing damage directly leading to extinction of a species of flora or fauna; Toxic chemical spill with enduring contamination and serious human health consequences requiring closure or isolation of land
Major	A number of significant business objectives can no longer be achieved	Between \$1m and \$3m recurrent impact on operating budget, one off impact between \$5m and \$10m.	Key services disrupted for between 2 and 14 days significant reductions in customer satisfaction injury or property damage resulting in litigated claims against Council	Investigation by external body resulting in substantive negative findings significant adverse media at state and local level significant & well publicised outcry from residents, long story life.	Council required to show cause why it should not be suspended from Office by Minister. Council issued with Performance Improvement Order(s) by Minister concerning substantial matters of 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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Item 5.3 – Attachment 1

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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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Risk & Audit Committee

28/11/2019

Item No 5.4

Subject Fleet and Plant Audit Report - with Management Comments

Report by Natasha Balderston, Internal Auditor

File SF19/8478

Summary

The draft report was received by Council in July 2019 and management comments were initially provided by the Manager Civil Works and Coordinator Stores & Fleet Operations. A significant recommendation was made in the audit report to restructure the Fleet and Stores business units to better align it with the Council's operations and improve oversight over the processes. The Executive Committee deferred the matter and subsequently determined to restructure the plant and fleet function. Management comments have now been provided by the Manager Procurement & Fleet who has recently been made responsible for plant and fleet. The management comments as agreed to by the Executive Committee are included in the attached final report.

This report identified nine findings, twenty six recommendations and twenty six action items. All recommendations were accepted with the exception of six. Details of the six recommendations that were not accepted can be found in the body of the report.

Officer Recommendation

- 1 That the Risk & Audit Committee receives and notes the final Fleet and Plant audit report.
- That the Risk & Audit Committee notes that the recommendation of a restructure of the Fleet and Plant business unit has been completed and the fleet and stores function is now included as part of the Procurement & Fleet business unit.
- That the Risk and Audit Committee notes that Internal Audit will follow up and verify the implementation of the recommendations when they become due.

Background

In March 2019, Internal Audit was assigned the task to undertake a stocktake validation and audit related processes of fleet and plant (including minor plant) that would support Council's overall asset validation process for its asset register. The significance of the findings has resulted in separate draft audit reports.

The process audit identified significant issues in the management of fleet and plant. Nine areas of improvement were identified and a summary of the findings and their ratings can see seen in the table below:

No.	Finding	Risk Rating
1	Asset records and recording of assets require improvement.	Extreme
2	Variations identified between the physical verification and asset records need to be resolved.	Extreme
3	Existence of Airport Business Unit assets cannot be fully verified.	Very High
4	Asset disposal processes require improvement (vehicle).	Very High
5	Asset disposal processes require improvement (minor plant).	Very High
6	The take home vehicle process requires improvement.	Very High
7	Vehicle specifications changed without Procurement's involvement	High
8	The leaseback process requires improvement	High
9	Controls over pool vehicles need to be improved	High

A corresponding twenty-six recommendations were made to assist management in closing the gaps identified. Please note that some of these recommendations have several action items and have different responsible owners. Thus, the total amount of action items exceed the number of recommendations made.

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

Significantly, Internal Audit had recommended that a structural assessment of Fleet and the Fleet Budget Management be considered in order to rationalise the current split of accountabilities in procuring and disposing of vehicles. The objective being to streamline accountabilities in managing the Fleet Capital Budget, Fleet lifecycle planning and management and the Asset Register.

At the time, management comments were sought from relevant officers within City Presentations including the former Manager City Works and Coordinator Fleet Operations & Stores. These management comments were sent to the Executive Committee on 1 August 2019 for their review and endorsement or otherwise.

As a result of the significance of the findings and recommendations, the report was referred to the Manager Organisational Development for comment in delivering the key recommendation of restructure. After discussions with the relevant Managers and Directors, and review of other Council's structures, the Manager Organisational Development recommended that the Fleet and Stores business units be restructured and transferred to the Procurement business unit. This recommendation was accepted and the transfer of responsibilities was undertaken.

The initial management comments were reviewed and input sought from all required stakeholders including the Director City Performance, and Director City Presentation, Manager Procurement and Fleet, Manager Finance and the Coordinator Fleet Plant and Stores. The management comments in the final report have been agreed to by the Executive Committee.

It should be noted that six recommendations are not supported and the table below highlights those recommendations with the corresponding management comments. It is pleasing to note that compensating controls have been suggested in some instances to resolve the essence of the issue identified:

Recommendation	Management Comments
Consider a restructure of accountabilities for vehicle disposals so they reside within Finance along with the end-to-end responsibilities for procurement. This will reduce the delay between a vehicle being identified for disposal, the actual disposal and recording thereof. Also by introducing a single source of truth for assets, management oversight, management of the capital budget and management of whole of life costs will be enhanced.	Disagree. Finance will create and dispose the asset in Tech One and Procurement will manage and dispose of the physical asset. Disposals in Tech One will not commence until the reimplementation project has been completed. Agree: A single source of truth will be used. Until Tech One is implemented, the spreadsheet being developed (as mentioned in R1) will be used to record vehicles that have been sold. All roles and responsibilities undertaking the specific duties will be reviewed as part of the Business Readiness Component of the Tech One CIA Implementation project.
Records to track minor plant that are retired and utilised for spare parts should be developed and implemented.	Disagree. Once the asset is no longer serviceable and retained for parts, no further action is required other than a record of the disposal.
Consider restructuring Fleet Management with end-to-end accountability over procurement and receiving of vehicles residing within Finance. Fleet servicing and maintenance should continue to reside with Fleet.	Disagree. To ensure proper segregation of duties, Fleet will be restructured to sit under Procurement, while City Presentation manage the servicing and maintenance of fleet and plant.
Consider reducing the on-roads value in the P/O.	Disagree. The registration cost of a vehicle is unknown at the time of purchase as it is dependent on the date the vehicle is registered by the dealer (runs to a common expiry date, can be over 12 months during the last quarter of the renewal period) and so an average cost is used each time (lower amount for cars, more for heavy vehicles). As each vehicle invoice is fully itemised, the risk of an additional accessory being included and paid from this line is low. Compensating control: A table will be developed to show how much the approximate registration costs will be for each class of vehicle. This will serve as a guideline in raising POs.
There should be more transparency of the control to validate the entitlement before any vehicle is handed over to the employee.	Disagree. We believe that there is sufficient segregation of duties and transparency in the system. The current processes requires POC to confirm leaseback entitlement & provide signed copy of the Leaseback Terms & Conditions prior to a vehicle being allocated to a staff member – this is carried out as part of the on boarding processes. Retained/new entitlements are also checked for internal staff movements. Compensating controls: All replacement vehicles will require Finance confirmation of entitlement on the Vehicle Replacement form.
Regular management reporting of allocated pool vehicles should be	Disagree. No permanent pool vehicles are allocated to individual business.

Recommendation	Management Comments
implemented.	

All findings, recommendations and management action plans will then be inputted into PULSE for tracking, follow up and verification. Results from the internal audit verification process will be reported to the Risk and Audit Committee.

Attachments

Internal Audit of Fleet and Plant - November 2019 - Final J

Bayside Council ("Bayside")

Internal Audit of Fleet and Plant (including Minor Plant)

June 2019





DISTRIBUTION

Party	Title	
Colin Clissold	Director City Presentation	
Michael Mamo	Director City Performance	
Natasha Balderston	Internal Auditor	
Fausto Sut	Manager Governance ft Risk	
Sean Pascoe	Partner, BDO	
Steve Kent	Associate Director, BDO	

Bayside Council - Review of Fleet and Plant (including Minor Plant) - June 2019

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Item 5.4 – Attachment 1

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Bayside Council - Review of Fleet and Plant (including Minor Plant) - June 2019

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Item 5.4 – Attachment 1

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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 February 2019 and is intended solely for the information and internal use of Bayside and is not intended to be and should not be used by any other person or entity. No other person or entity is entitled to rely, in any manner, or for any purpose, on this report. We do not accept or assume responsibility to anyone other than Bayside or for any reliance that may be placed on this report by any party other than Bayside.

Bayside Council - Review of Fleet and Plant (including Minor Plant) - June 2019

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Executive Summary

EXECUTIVE SUMMARY

1.1 Background

This Internal audit is a special request from Bayside's Procurement Team. Initial consultation with Procurement identified that multiple processes and records are being used to manage assets valued at approximately \$19M. The assets which are covered in this engagement range from Tools-of-Trade Vehicles and Heavy Plant (e.g. Utes, Ride on Mowers, Trucks, Excavators) to minor motorised plant, such as brush cutters.

Concerns have been raised by Management in relation to the completeness, accuracy and validity of Fleet and Plant (including Minor Plant) records. Additionally, when the former Botany and Rockdale Councils merged and assets were either combined or relocated, assets and asset records may not be reflective of reality. Hence, assurance has been sought over the existence and location of these assets, the accuracy of records, both financial and non-financial, and the controls and processes in place to manage key risks, such as financial misstatement, misplacement and loss of assets and misappropriation.

1.2 Objective and scope

The objective of this internal audit is to assess the design and operational effectiveness of internal controls associated with managing Fleet and Plant, including Minor Plant and Leaseback Vehicles ("assets").

This will be achieved as follows:

 Obtaining and assessing asset records (Tech One Fleet Register that incudes Minor Plant Assets maintained by Fleet; Asset Spreadsheet maintained by Procurement; Plant and Equipment register maintained by Finance) that are used to identify, record and value Fleet and Plant.

- · Assessing relevant policies, processes, systems and records including:
 - processes to receive, store (minor plant), issue for use and return (minor plant), record and value assets;
 - process to tag and number assets so they are effectively linked to asset records;
 - processes to ensure existence of assets (i.e. processes to physically verify assets and reconcile them with the books and records);
 - processes over physical security that are established to prevent loss or misappropriation of assets;
 - process of transfer/relocation of assets and in particular assets in the closed Airport Business Unit (ABU).
 - undertaking a reconciliation between recorded ABU Assets and the actual relocated assets and obtain explanations for variances.
- Performing a physical verification of Fleet and Plant at the depots capturing the required information and:
 - Agreeing the results of the physical verification with the books and records:
 - Identifying any gaps in the records as well as any items recorded but not found.

The scope of the internal audit includes assets primarily located at:

- · Bexley Depot
- · Botany Depot



Executive Summary

Other locations include:

- · Mascot Depot.
- · Botany Golf Course.
- Hillsdale
- Rockdale Administration Centre
- Eastgardens
- · Satellite depots (John Curtain, Joseph Banks).
- · Parks (Mutch and Cahil).

Exclusions from the scope and the rationale for exclusion are:

· Procurement and Accounts Payable processes (focus is on asset control).

As a late addition to the scope of the internal audit noted above, we were requested to review the processes related to:

- · Take home vehicles
- · Changing of vehicle specifications;
- · Allocation of leaseback vehicles; and
- · Pool vehicle usage.

1.3 Approach

The following approach was undertaken during the internal audit:

- · Kick off meeting with key stakeholders;
- Obtaining an understanding of the processes and systems manner in which assets are recorded and tracked (refer Appendix C);
- Interviewing relevant staff, obtaining and reviewing relevant documentation/records (refer Appendix B);

- Developing a risk and controls matrix to identify any gaps in risk management;
- Performing a physical verification of Fleet and Plant at the depots capturing:
 - Registration Number, Asset Number
 - Make (e.g. Ford)
 - Model (e.g. Ranger
 - Type (e.g. Dual Cab 4x4)
 - Standard (e.g. XL)
 - Year built
 - Location
 - Section in Council (e.g. Waste)
 - Photo
 - VIN if easily available
- Assets verified will be uniquely tagged and where no unique asset number is found, will also be tagged with an asset number;
- Identifying any gaps in the Fleet and Plant records as well as any items recorded but not found;
- Assessing whether there are any gaps in the design and effectiveness of the current processing and control environment;
- Risk rating findings in accordance with Bayside's risk rating matrix (refer Appendix E).
- Conducting an exit meeting with the relevant Council's staff following completion of the fieldwork to discuss:
 - Our findings;

Bayside Council - Review of Fleet and Plant (Including Minor Plant) - June 2019

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Executive Summary

- Recommendations for control improvements if any; and
- Management's response to our findings and recommendations.
- · Completion of draft and final reports

1.4 Key Deliverables

The key deliverables from this internal audit are:

- Physical Verification results and gaps in asset records.
- · A draft report for discussion.
- A final report which includes:
 - An Executive Summary: Covering key findings, purpose, scope, and approach and overall rating based on Bayside's risk rating;
 - Detailed findings and recommendations; and
 - Management's response to our findings and recommendations
- Presenting findings and internal audit report to the Risk and Audit Committee, if required.

1.5 Summary of key findings

Key findings have been summarised below:

Extreme Risk Matters

Asset records and recording of assets requires improvement.

As was evident, the existence of multiple registers has resulted in a high administrative burden and inaccurate registers. Current accountabilities for maintaining the asset register have not been appropriately defined, resulting in the asset register being inaccurate. Multiple asset registers, dispersed accountabilities, lack of formalisation/finalisation of accountabilities, delays in information flows and performing key functions has exacerbated the inability to confirm the existence of assets.

Variations identified between the physical verification and asset records need to be resolved.

Not all assets recorded in Tech One and/or the Plant and Equipment Register could be physically verified as the registers are not an accurate reflection of the assets on hand. In addition, not all assets have been included in Tech One. Hence, there were a significant number of verified assets that could not be found on the Tech One register.

NB: Our assessment was based on the Tech One register dated 13 March 2019 and any asset movements during March would appear as a variation.

Very High Risk Matters

Existence of ABU Assets cannot be fully verified

Minor plant were not updated to Tech One. Not all vehicles on this register were updated to Tech One. With the exception of vehicles that could be identified with registration numbers, other minor plant did not have any identifiers (other than a description) in this "register". Hence, there was an inability to reconcile this register with the physical verification.

Asset disposal processes require improvement for Fleet and Plant

The management of vehicle disposals is ineffective and there is ineffective oversight. This is the result of untimely disposals and ineffective recording and reporting of vehicle disposals. Our review of the leaseback harmonised list, established that the policy for disposal of leasebacks is not being complied with as there are vehicles >2 years old and/or >40K that continue to be on site. There is no report from Tech One or any other source to monitor the date the vehicle was returned by the driver, date of pickup notification, date of pick up and date of sale. Hence any delays in disposal cannot be readily monitored by Management without assessing individual disposals.

There is no agreed policy or process in place to manage and document the disposal of minor plant, be it for obsolescence, sale or retirement (due to

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Executive Summary

unserviceability) and to record the disposal in Tech One. This has resulted in disposals having been made without any supporting documentation. A destruction certificate or equivalent that is independently signed as evidence of destruction has not been developed. An audit trail of minor plant that are retired and utilised for spare parts is not available.

Take Home vehicle process requires improvement

Our review of the policy and process in relation to take home vehicles has identified that the policy has not been fully complied with in some instances.

High Risk Matters

Vehicle specifications changed without Procurement involvement

There is a need to comply with current policy and strengthen controls in this area.

Leaseback vehicle allocation process

There is a need for a more streamlined process and a strengthening of controls.

Pool vehicle allocations

There is a need to strengthen the pool allocation vehicle process and controls.

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

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

1.6 Overall Risk Rating

Very High

The Risk Matrix, Likelihood and Consequence tables have been included in

Appendix E.

While policies for managing fleet and minor assets are in place, overall we found evidence of deficient practices and non-compliance with policy. The findings discussed above have given rise to the following risks:

- · Inability to effectively manage the capital budget for Fleet;
- · Financial loss, non-compliance with policy, unauthorised activity;
- · Inability for management to have effective oversight of operations; and
- · Inaccurate asset records leading to negative audit reports;

The findings and risks noted above have highlighted the need for a structural assessment of Fleet and Fleet Budget Management. Rationalising the currently split accountabilities in procuring and disposing of vehicles should be considered. For example, Fleet could retain the service and maintenance of vehicles and the procurement, receiving and disposal of vehicles could reside within Finance. This would streamline accountabilities in managing the Fleet Capital Budget, Fleet lifecycle planning and management and the Asset Register.

Current accountabilities for maintaining the asset register have not been appropriately defined, resulting in the asset register being inaccurate. There is also a need to reduce the multiple asset registers that are currently being maintained into a single source of truth. Restructuring would streamline the accountabilities for maintaining the budget and the asset register (into a single source of truth).

Processes to ensure timely disposal of vehicles need to be implemented. The management and recording of vehicle disposals requires improvement to enable effective management, monitoring and oversight of the process.

Considering the issues arising in this internal audit, additional resources are potentially required to manage the breath of activities that are currently being undertaken by two staff. Bayside Management should review the resourcing of the Fleet Unit as part of any structural reform that has been recommended.

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Executive Summary

1.7 Additional work performed by Internal Audit

Internal Audit assisted the Fleet Unit to evaluate variations between the assets physically verified and the asset records. A separate internal audit report of the results from this work has been provided to Bayside. As noted in that report dated June 2019, there continues to be unreconciled differences that will need to be addressed by management to ensure that the Tech One asset register is a true reflections of assets on hand.

1.8 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.

1.9 Report clearance

The content of this report has been discussed and agreed with Director City Presentation and other key stakeholders.

Yours sincerely

Sean Pascoe

Partner, BDO Risk Advisory

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Detailed Findings

2. DETAILED FINDINGS

2.1. Asset records and recording of assets requires improvement

Risk Rating Extreme

Observations

The existence of multiple registers has resulted in a high administrative burden and inaccurate registers. Current accountabilities for maintaining the Tech One asset register have not been appropriately defined, resulting in the asset register being inaccurate. Multiple asset registers, dispersed accountabilities, lack of formalisation/finalisation of accountabilities, defays in information flows and performing key functions has exacerbated the inability to confirm the existence of assets.

The physical verification exercise and the subsequent reconciliation with the Tech One asset register established that the register is an unreliable, inaccurate and incomplete record of Fleet and Plant assets. No reliance can be place on it by management for existence or valuation of Fleet and Plant assets. There is also an inability to provide any effective reporting from Tech One, primarily caused by the inaccurate and incomplete information in it. The inaccuracies in Tech One stem from the following causes:

- Some assets during the original build-up of the Tech One asset register were not included (e.g. ABU);
- Non-commissioned assets cannot be disposed on the system and continue to exist as an asset on the register. This was primarily caused by a breakdown in processes
 between Fleet and Finance who need to ensure assets are commissioned and disposed in the registers accurately and on a timely basis. This issue is prevalent not
 only in relation to Financial Assets (value >\$2,000), but also for minor plant. Only Finance have the access and authority to commission and of dispose assets on
 Tech One and as minor plant were not commissioned by Finance any disposals have not been recorded. NB. Minor plant, albeit immediately expensed, need to be
 recorded in the Tech One asset register to enable any repairs and maintenance costs to be allocated.
- · All Assets disposed of post July 2018 were not disposed of in Tech One;
- Inaccuracies of Input in asset numbers, registration numbers, usage, specific location and data in the incorrect fields (e.g. Registration Numbers were in other fields).
- The Tech One Asset register has not been updated with the established usage and reassignment (e.g. Lease back to pool) to enable effective reporting and monitoring of compliance with policies e.g. Leasebacks, Pool, Tools of Trade, Take home and TRP Vehicles.
- Assets that are not owned by Bayside are on the Tech One register to facilitate bulk fuel usage e.g. Nurses on wheels vehicles.

Bayside Council - Review of Fleet and Plant (including Minor Plant) - June 2019

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Detailed Findings

Observations

In addition to the Tech One asset register, other registers also exist as follows:

Plant and Equipment (PE) register:

While, high value assets (>\$2,000) are also recorded in the Plant and Equipment (PE) register (an excel spreadsheet), this record is also incomplete as additions and disposals are updated only once, at the end of each financial year.

This register is primarily used to account for and value financial assets, including calculating depreciation. Our review identified a misalignment of financial assets between Tech One and the PE registers, primarily due to the infrequent update of additions and disposals in the registers.

Airport Business Unit (ABU) "register":

While not truly a register, all Airport Business Unit (ABU) assets were listed in a separate excel spreadsheet at the time the business unit was shut down. All assets, which included vehicles, minor plant and other material (not technically "fleet or plant assets") were listed on this spreadsheet. Minor plant were not updated to Tech One. Not all vehicles on this register were updated to Tech One. With the exception of vehicles that could be identified with registration numbers, other minor plant did not have any identifiers (other than a description) in this "register".

Risks/Implications

Inability to effectively track and monitor assets

Inability to identify missing or stolen assets resulting in financial loss

Errors in asset records due to dispersed, diluted and unclear accountabilities

Recommendations

R1. Multiple asset registers and records should be streamlined. There needs to be a single source of truth to record Fleet and Plant assets (for physical existence and financial valuation).

Bayside Council - Review of Fleet and Plant (including Minor Plant) - June 2019

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Detailed Findings

Recommendations

R2. Processes and accountabilities for addition and disposal of assets need to be streamlined and agreed by Procurement and Finance as well as Fleet Operations for minor plant to ensure completeness and accuracy of asset records and that assets are commissioned and disposed of in both Tech One and PE registers accurately and on a timely basis.

R3. The process over the disposal of assets where they are no longer serviceable needs to be developed and these assets appropriately reflected (disposed) in Tech One.

R4. The process to create, assign, and monitor fleet and minor plant in Tech One should be developed and implemented to ensure completeness and accuracy of asset records.

R5. There is a need for a structural assessment of Fleet and Fleet Budget Management. Rationalising the currently split accountabilities in procuring and disposing of vehicles should be considered. For example, Fleet could retain the service and maintenance of vehicles and the procurement, receiving and disposal of vehicles could reside with Procurement and/or Finance. This would streamline accountabilities in managing the Fleet Capital Budget, Fleet lifecycle planning and management and the Asset Register. Restructuring would streamline the accountabilities for maintaining the budget and the asset register (into a single source of truth).

Management Comments	Role & name of officer responsible for action	Target Completion Date
R1. Agree. Council is currently determining the plan for re- implementation of Tech One which is intended to act as the single source of truth for all fleet and financial records. In the interim, a contractor has been engaged to establish an Excel based fleet management data base for "single source of truth".	Manager Procurement, Joe Cavagníno	December 2019
RZ. Agree. A restructure has been proposed and commenced. The Coordinator Fleet Plant and Stores and Fleet Officer will be redeployed from City Works City Presentation, to Procurement in City Performance. All these functions will be	Manager Procurement , Joe Cavagnino	June 2020

Bayside Council - Review of Fleet and Plant (including Minor Plant) - June 2019

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Detailed Findings

under the one management section. A meeting will be held with Finance on commissioning and disposal of assets.

The current processes for addition and disposal of assets will be reviewed following the restructure and review following reimplementation of Technology One.

R3. Agree.

Coordinator Fleet, Plant and Stores, Kate Kennedy

February 2020

Fleet: Fleet is responsible for the disposal of minor plant, either by auction or destruction. To this extent, the Minor Plant Replacement form will be updated to reflect that the disposal of minor plant is authorised. If the small plant is sent to auction, the sale payment advice will be sent to Fleet, Procurement and Finance and the money directly inputted into Council's bank account.

Finance: Finance is responsible for the commissioning and disposal of assets within Tech One. It is accepted that disposals are currently not being done in the Tech One system. However, a Tech One reimplementation project is currently underway and the system will be configured to allow for disposals. Once configured, the process and procedures will be documented.

Tech One was not implemented correctly and has a significant level corrupt data. Excel spreadsheets were used to provide financial asset registers for financial reporting purposes. It should also be noted that Council has not been compliant with financial reporting compliance and was completing audits 18 months or more after end of financial period and the financial asset register was not able to be updated till each reporting period was audited.

Manager Finance, Matthew Walker

September 2020

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Detailed Findings

R4. The Tech One CIA Implementation will include process for the commissioning and disposal of assets in the Fleet Asset Register. This project will also have a data element and Fleet Asset Data will be included in this process. Investigation of additional functionality via an integrated forms module will also be an element of this project. The Tech One CIA Implementation is scheduled for 1 July 2020 and as this is being developed in a new environment and tight timeframe, there is limited capacity to retrofit into current environment.

A revised interim solution is being investigated for implementation in 2019/20.

R5. Agree. A restructure has been proposed and commenced. The Coordinator Fleet, Plant and Stores and Fleet Officer will be redeployed from City Works City Presentation, to Procurement in City Performance. All these functions will be under the one management section. Manager Finance, Matthew Walker

Director City Performance, Michael Mamo

August 2020

Completed.

Bayside Council - Review of Fleet and Plant (including Minor Plant) - June 2019

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Detailed Findings

2.2. Variations identified between the physical verification and asset records need to be resolved

Risk Rating Extreme

Observations

Physical verification of Fleet and Plant was performed on 14, 18, 19, 20 March 2019 and on the weekend of 30 March 2019. This was performed based on Bayside staff availability. The sighted assets were reconciled with the Tech One, PE and ABU registers. Results and details of the physical verification have been provided to Bayside in a separate excel spreadsheet that includes pictures of the assets verified. Our observations are as follows:

- . Not all assets recorded in Tech One and/or the PE Registers could be physically verified as the registers are not an accurate reflection of the assets on hand.
- As discussed in 2.1, not all assets have been included in Tech One. Hence, there were a significant number of verified assets that could not be found on the Tech One register.
- Variations were also noted between Tech One and the PE Register for Financial assets. The primary cause for missing financial assets on the PE Register is that it is updated only once per year at year-end.
- . Some older assets that were physically verified, did not have a proper identifier to enable linkage (if any) to the Tech One Asset Register.

As a separate consulting project, Internal Audit assisted the Fleet Unit to evaluate variations between the assets physically verified and the asset records. A separate internal audit report of the results from that work has been provided to Bayside. As noted in that report dated June 2019, there continues to be unreconciled differences that will need to be addressed to ensure that the Tech 1 asset register is a true reflection of assets on hand.

Risks/Implications

Assets missing or stolen

Bayside Council - Review of Fleet and Plant (including Minor Plant) - June 2019

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Detailed Findings

Recommendation

R6. It is recommended that Management implement controls to ensure that asset registers are regularly reconciled (six monthly) with a physical count of assets after the abovementioned differences have been corrected. This should be supplemented with a tightening of controls around the recording of asset acquisitions and disposals.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R6 Agree. Physical spot check verifications will be conducted with Procurement and Finance once a single "source of truth" is finalised. A complete physical	Manager Procurement, Joe Cavagnino	June 2020
audit is beyond our resources at this point of time. However, a physical		
verification of will be undertaken on a cyclical and sample basis every 3 years.		



Detailed Findings

2.3. Existence of Airport Business Unit (ABU) Assets cannot be fully verified

Risk Rating

Very High

Observations

Airport Business Unit (ABU) minor assets were not included in Tech One. Also, not all registered vehicles for ABU have been recorded in Tech One or PE registers.

While not truly a register, all Airport Business Unit (ABU) assets were listed in a separate excel spreadsheet at the time the business unit was shut down. All assets, which included vehicles, minor plant and other material (not technically "fleet or plant assets") were listed on this spreadsheet. Minor plant were not updated to Tech One. Not all vehicles on this register were updated to Tech One. With the exception of vehicles that could be identified with registration numbers, other minor plant did not have any identifiers (other than a description) in this "register". Hence, there was an inability to fully reconcile this register with the physical verification.

As a separate consulting project, internal Audit assisted the Fleet Unit to evaluate variations between the assets physically verified and the asset records. A separate internal audit report of the results from that work has been provided to Bayside. As noted in that report dated June 2019, there continues to be unreconciled differences that will need to be addressed to ensure that the Tech 1 asset register is a true reflection of assets on hand.

Risks/Implications

Missing or stolen assets

Recommendation

R7. For future commercial activities like ABU, it is recommended that Management implement controls to ensure that asset registers are regularly reconciled (six monthly) with a physical count of assets after the abovementioned differences have been corrected. This should be supplemented with a tightening of controls around the recording of asset acquisitions and disposals.

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at this point in time.

Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
R7. Agree. Any future separate business units will have to adhere to the Fleet Management Policy. Fleet Management Procedures will need to be developed. Additionally, the Asset Management Policy, which is currently being drafted and the corresponding procedures will also be implemented.	Coordinator Fleet, Plant and Stores, Kate Kennedy (Fleet Management Procedures) Manager City Infrastructure, Jeremy Morgan (Asset Management Policy and Procedures) in collaboration with Coordinator Policy.	September 2020 September 2020
It is important to note that at present there are no separate business units hence no process required		

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Detailed Findings

2.4. Asset disposal processes require improvement (Vehicles)

Risk Rating

Very High

Observations

In order to manage the Capital Budget, Procurement maintains a separate Fleet register. While Procurement is aware of the new vehicles and replacement vehicles purchased, reliance is placed on Fleet to dispose of vehicles in a timely manner. Briefly, the current process for vehicle disposal is as follows:

- Fleet will send a list of vehicles to Pickles Auction for inspection and pick up.
- Procurement specify reserve prices.
- Some specialised equipment that does not have an estimated resale price e.g. red book for vehicles, the opinion for a reserve price is provided by Coordinator Fleet, Plant and Stores. The final reserve price is set by Procurement including referrals on minor variations in reserve and the sale price is managed by Procurement.
- Due to space constraints, vehicles are sent to auction generally, within a month to 6 weeks after they have been returned, unless there is an operational reason to keep them longer e.g., there is always the need for vehicles for new starters or accident relief. However longer delays were evidenced.
- If a person has left the organisation and the vehicle has not reached two years or 40K, it is kept on site and can be given to a new employee, but only if the
 employee/position is entitled.

Our review of these disposal processes and internal audit sample testing of disposals identified the following:

- The management of vehicle disposals is ineffective and there is ineffective oversight. This is the result of untimely disposals and ineffective recording and reporting of vehicle disposals.
- Our review of the leaseback harmonised list, established that the policy for disposal of leasebacks is not being complied with as there are vehicles >2 years old
 and/or >40K that continue to be on site. We understand that new vehicles were not purchased for a period of 5 months as part of the harmonisation project
 which may have caused the delays in sale of vehicles
- The vehicle returned date/the new vehicle pickup date, date of pickup notification, and date of pick up and date of sale are not reported for management review. Hence, any delays in disposal cannot be readily monitored by Management without assessing individual disposals.
- Sample testing confirmed that there were delays of up to 2 months between vehicle return and notification for pick up. There were also delays between the
 pickup notification and the vehicle being picked up (some as long as 22 days).

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Detailed Findings

Observations

- While outside of Bayside's control, between 1/7/17 and 30/4/19, 316 vehicles that were sold by Pickles took an average of 18 days to sell (from date of pickup), with a majority sold within 30 days. However, some took between 31 - 84 days (these instances are likely to be sales of commercial vehicles where auctions are held only once a month by Pickles)
- Our testing also confirmed that vehicles that were disposed of continued to appear in Tech One and PE Registers, the latter maintained by Finance.
- Disposals are not recorded in the PE register until year-end. Finance does not account for the disposal value in the correct cost centre until year-end and the
 value received is included in a suspense account. This requires Procurement to maintain a spreadsheet (budget/planning) for the value received.

Risks/Implications

Inability to effectively manage the Capital Budget

inability to effectively manage whole of life costs

Recommendations

R8. The management and recording of vehicle disposals requires improvement to enable effective management, monitoring and oversight of the process.

- Vehicles should be sent for auction without delay.
- The status of returned vehicles should be updated in Tech One to enable assessment of when the vehicle was returned and physically disposed of.
- Once the vehicle is disposed of, Tech One should be updated with the disposal by Finance.
- Management reporting should be implemented and oversight enhanced by the relevant areas.

R9. Consider a restructure of accountabilities for vehicle disposals so they reside within Finance along with the end-to-end responsibilities for procurement. This will reduce the delay between a vehicle being identified for disposal, the actual disposal and recording thereof. Also by introducing a single source of truth for assets, management oversight, management of the capital budget and management of whole of life costs will be enhanced.

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Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
R8. Agree. Operational requirements mean some vehicles stay on site to relieve others that may require mechanical repairs, as well, as vehicles for new starters. Moving forward, all vehicles on site for more than 8 weeks will be reported to the Manager Procurement and Director City Performance for information and review. This review process will ensure the proper oversight required and allow for the business to have flexibility in the way they operate.	Coordinator Fleet, Plant and Stores, Kate Kennedy	March 2020
Date of vehicle return and date of vehicle disposal will be included in the spreadsheet mentioned in R1		March 2020
Disposal process will be returned to Tech One once project is completed. This will be undertaken by Finance.		November 2020
This will be considered as the new Tech One system is being developed and appropriate management reports will be designed that provides vehicle disposal information.		November 2020
Standard reconciliation process for in year movements will also be implemented in the Tech One CIA Implementation.		
R9. Disagree, Finance will create and dispose the asset in Tech One and Procurement will manage and dispose of the physical asset. Disposals in Tech One will not	Manager Finance, Matthew Walker Coordinator Fleet, Plant and Stores, Kate Kennedy	August 2020

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Detailed Findings

commence until the reimplementation project has been completed.

Agree: A single source of truth will be used. Until Tech One is implemented, the spreadsheet being developed (as mentioned in R1) will be used to record vehicles that have been sold.

All roles and responsibilities undertaking the specific duties will be reviewed as part of the Business Readiness Component of the Tech One CIA Implementation project.

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Detailed Findings

2.5. Asset disposal processes require improvement (Minor Plant)

Risk Rating

Very High

Observations

There is no agreed policy or process in place to manage and document the disposal of minor plant, be it for obsolescence, sale or retirement (due to unserviceability) and to record the disposal in Tech One. This has resulted in disposals without supporting documentation. A destruction certificate or equivalent that is independently signed as evidence of destruction has not been developed. The audit trail of minor plant that are retired and utilised for spare parts is not available.

NB: Although minor plant are immediately expensed, they need to be recorded in the Tech One asset register to enable allocation of repairs and maintenance costs. Disposals cannot be recorded in Tech One, as Finance do not commission minor plant.

Risks/Implications

Missing or stolen assets

Recommendations

R10. Asset disposal processes that include proof of disposal or destruction documents that are signed by an independent officer should be developed and implemented.

R11. Evidence of management approval of disposal or destruction should be retained.

R12. Records to track minor plant that are retired and utilised for spare parts should be developed and implemented.

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Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
R10. Agree. Minor plants are utilised until it no longer has value (i.e. broken down or the parts to replace it is more than purchasing a new item). Minor plant replacement form will be updated to include details regarding disposal and/or destruction. This will be signed off by the Coordinator Fleet Plant and Stores (City Performance) and Workshop Coordinator (City Presentation) and saved in the Content Manager and the CM reference number added to the spreadsheet as evidence of disposal. Once Tech One has been implemented, this will be attached to the asset.	Coordinator Fleet, Plant and Stores, Kate Kennedy	June 2020.
R11. Agree. The Minor Plant Replacement form will be updated to include information on disposals. This form will be reviewed and signed off by the workshop coordinator (or an appropriate delegate and then signed by the Coordinator Fleet, Plant and Stores. These documents will be saved in Content Manager and the CM reference number will be recorded against the interim spreadsheet. Once the Tech One project is completed, the document will be saved against the asset in the system.	Coordinator Fleet, Plant and Stores, Kate Kennedy	February 2020
R12. Disagree. Once the asset is no longer serviceable and retained for parts, no further action is required other than a record of the disposal.	N/A	N/A

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Detailed Findings

Risk Rating Very High

The Take Home vehicle process requires improvement

Observations

Process

- The majority of take homes are for team leaders who are on call and there are some that would have it for a project. Take home vehicles are not liable for FBT, the usage is very strict and the style of vehicle is generally a Ute (i.e. a commercial style vehicle not a sedan).
- Take homes require Director approval, as well as a justification. There are terms and conditions that are signed off by the Director and Employee (Take Home Vehicle Allocation Agreement).
- POC will get advice of the agreement and Director approval for record keeping (NB: there is no salary deduction).
- A tool of trade which is also a take home follows the same process as above and needs a Take Home Vehicle Allocation Agreement.
- All vehicles are considered tools of trade and are given special permission to take home via a Take Home Vehicle Allocation Agreement.
- All other Tool of Trade vehicles are not taken home and kept at depots.

Findings:

- The Take Home Vehicle Agreement (THVA) requires a log book to be maintained. However, usage is not specifically monitored. There is some monitoring of fuel
 and kilometres, but not to evaluate whether it is in keeping within the terms of the agreement (i.e. usage only for business purposes). There have been
 instances where staff have been investigated based on a suspicion being raised. This monitoring process is reactive, rather than a proactive one.
- There is no proactive monitoring of the Vehicle usage register to identify any breaches with the THVA. There is apparently no monitoring of the vehicle
 usage register by workshop or Fleet management to ensure that the vehicle that is signed out is signed back in. Any breaches of vehicles not being returned the
 same day are required to be reported to the Coordinator Fleet, Plant and Stores. As evidenced, this does not occur. This raises the risk: there could be many
 more instances where vehicles are taken home unbeknown to management.
- Depending on the time when the take home vehicle was agreed, there may or may not be a Take Home Vehicle Allocation Agreement in place. During audit
 sample testing, we confirmed with the Coordinator Fleet, Plant and Stores and POC that although there were no Take Home Vehicle Allocation Agreements for 4
 out of 5 employees sampled, these employees were flagged during Project Harmony as being entitled due to custom and practice.

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Detailed Findings

Risks/Implications

Non-compliance with policy

Recommendations

R13. The lack of management oversight should be addressed by implementing appropriate processes and controls over the requesting, authorising, use and take home of Council vehicle. Roles and responsibilities over the process and the THVA policy should be clearly defined and exercised.

R14. The authorisation and legal requirements of any vehicle that is allowed to be taken home should be reinforced.

R15. Consider executing Take Home Vehicle Allocation Agreement retrospectively for employees that were flagged during Project Harmony as being entitled.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R13. Agree. We note that the current approval process for take home vehicle on existing fleet is approved by the Director. Any request for new vehicles for the business area is presented to the Executive for approval. Staff within the City Presentation Directorate are primarily the individuals who access a take home vehicle. An email communication was sent to all City Presentation Managers and Coordinators 21st June 2019, reminding them of their obligations in regards to allocation of a take home vehicle. All staff with a current take home vehicle allocation have signed off on the Take Home Vehicle Terms and Conditions.	Coordinator Fleet, Plant and Stores, Kate Kennedy	June 2020

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Detailed Findings

For better oversight, the Take Home Vehicles Terms and Conditions document will updated to include the following information:

- The type of vehicle allocated and from where (where the workshop or a business unit); and
- Coordinator Fleet, Plant and Stores have been notified.

Roles and responsibilities will be made clear in the Take Home Vehicle Terms and Conditions document.

R14. Agree. Email communication was sent to all City Presentation managers and coordinators 21st June reminding them of their obligations in regards to allocation of a take home vehicle. Regular reminders on the Take Home Vehicle Terms and Agreement will be done bi-annually. These Terms and Agreements will be re-signed annually for those with long term allocations. Notification to re-sign these Terms and Conditions will be initiated by PDC.	Coordinator Fleet, Plant and Stores, Kate Kennedy Coordinator Fleet Plant and Stores in collaboration with Manager POC.	June 2020
R15. Agree.	Coordinator Fleet Plant and Stores, Kate Kennedy	Completed.

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Detailed Findings

2.7. Vehicle specifications changed without Procurement involvement

Risk Rating High

Observations

Process:

- Procurement selects the supplier and price based on 3 quotes.
- · Fleet is sent the notification by Procurement to raise the requisition.
- Fleet raises the requisition that is approved by Procurement (who own the capital budget) and Purchase Order (P/O) is raised.
- Any changes to specification must be routed through Procurement and the Purchase Order must be amended and approved. The Dealer should not make any changes unless an amended and approved P/O is received.
- Other than for major trucks and heavily specified trucks that may have the BU owner change the specifications without Fleet or Procurement approval, an employee/BU cannot request the dealer to amend ordered specifications.

Findings (based on testing of vehicle procurements):

- There was evidence that vehicle specifications are changed without the involvement of Procurement. In one instance, the change was a downgrade from a metallic
 paint to a normal paint. While there was no financial impact (actually a reduction in invoiced price), there was non-compliance with procurement policy which
 requires Procurement to amend the P/O for any amendments to vehicles whether financially impacted or not. One other purchase that was a downgrade was also
 identified that was not routed through Procurement.
- With the exception of On Road costs (\$800), P/Os sometimes include items that are not on the original quote resulting in a P/O being higher than the quote.
- P/Os generally include on road costs at \$800. However, evidence on dealer invoices indicate actual costs being lower. This provides a buffer to add on other
 accessories that that may go unnoticed. In most cases reviewed, the invoice was lower (8/10) than the P/O and not requiring a system driven amendment.

Risks/Implications

Non- compliance with procurement policy

Potential for financial loss

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Detailed Findings

Recommendations

R16. Consider restructuring Fleet Management with end-to-end accountability over procurement and receiving of vehicles residing within Finance. Fleet servicing and maintenance should continue to reside with Fleet.

R17. The vehicle procurement policy should be reinforced with Fleet staff and vehicle drivers, and in particular, highlighting the policy relating to amendments to specification irrespective of those that have a financial or non-financial impact.

R18. Scrutinise P/Os that have additional items to those in the accepted quote and assess whether there is a need to call for revised quotations.

R19. Consider reducing the on-roads value in the P/O.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R16 Disagree. To ensure proper segregation of duties, Fleet will be restructured to sit under Procurement, while City Presentation manage the servicing and maintenance of fleet and plant.	Manager Procurement, Joe Cavagnino	Completed.
R17 Agree. The Procurement Policy is on the website for easy access. Following the restructure, there will be toolbox talks to ensure any change made to a purchase order for vehicles or plant is sent to the Procurement Manager for approval.	Manager Procurement, Joe Cavagnino	March 2020
R18 Agree. All amendments to POs relating to motor vehicles and plant will be signed off by the	Manager Procurement, Joe Cavagnino	March 2020

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Detailed Findings

Procurement Management. Toolbox talks will be undertaken to support this process.

R19 Disagree. The registration cost of a vehicle is unknown at the time of purchase as it is dependent on the date the vehicle is registered by the dealer (runs to a common expiry date, can be over 12 months during the last quarter of the renewal period) and so an average cost is used each time (lower amount for cars, more for heavy vehicles). As each vehicle invoice is fully itemised, the risk of an additional accessory being included and paid from this line is low.	N/A	N/A
Compensating control: A table will be developed to show how much the approximate registration costs will be for each class of vehicle. This will serve as a guideline in raising POs.	Coordinator Fleet, Plant and Stores, Kate Kennedy	28 November 2019.



Detailed Findings

The Leaseback process requires improvement



Observations

Process:

- Any leaseback allocation needs to approved by the General Manager (the position is approved). Examples of such approval were sighted.
- Fleet only supplies a vehicle that is based on the position entitlement and the letter of offer. There is a process to provide a leaseback vehicle only to
 persons/positions with entitlements. Discussions indicated that there are no instances where vehicles have been provided without entitlements or where payroll has
 not been notified. This was evidenced in the sample tested where Leaseback Vehicle Allocation Agreements were sighted in all instances.
- All leasebacks are considered as available vehicles for Council Business and are used as such if the vehicle that is unused by the driver, is on site. Due to the number
 of leasebacks that may be on site, if someone is on a project they may be signed out as having a vehicle, which is returned at the end of day (these are not take
 home). NO CAR is provided without an entitlement unless it has been given as a pool vehicle to an employee that needs a sign out (Pool Cars discussed below).
- On boarding emails are also sent by People & Organisation Culture (POC) to Fleet.
- · Procurement buys a vehicle based on the POC information.
- Fleet will provide a temporary car that may have been returned for sale but will only do so if there is proof of entitlement (POC documents signed terms and
 conditions saying the employee has accepted the leaseback and signs off on the allocation agreement leaseback vehicle allocation agreement).
- Change Over form is filled and signed by the employee when the vehicle is delivered by the workshop and is sent to Fleet and Finance for FBT purposes.
- Payroll notification is sent to POC to commence deduction. The Coordinator Fleet, Plant and Stores commented that there had been some delays in sending the
 notification in the past. However, it should be noted that in the event of any delay, payroll deductions are commenced retrospectively.
- Where a vehicle has been returned for sale or resignation, it will be given to a new employee for the position or as accident relief and ONLY if the person/position has an entitlement.
- If a temporary vehicle is provided, awaiting a new vehicle, a payroll notification is sent to POC for deductions to commence.
- If an accident replacement car is provided, there is no change to the value of the deduction and the vehicle is given to the employee without any additional
 authorisation (given also when the vehicle comes in for a service).

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Detailed Findings

Observations

Findings:

Generally effective processes were evidenced, with the exception of matters that were disclosed by the Coordinator Fleet, Plant and Stores i.e.:

- Matters had slipped through the cracks where the individual was given a vehicle during the harmonisation project where there have been delays in sending details to Finance and POC.
- There have been instances where the changeover form was not sent to Coordinator Fleet, Plant and Stores and the vehicle was provided. Also, there had been
 delays in sending the CO form and notification to Finance/POC. Anecdotally, there have been issues where POC have had delays in setting up the deduction.
 However, in the event of delays, the deductions are retrospective and are made from the date the vehicle was delivered to the driver.

Risks/Implications

Potential for non - compliance with policy

Recommendations

R20. There needs to be a more streamlined process - potentially online with required notifications to all stakeholders to ensure that in the absence of the Coordinator Fleet, Plant and Stores, the required advice is provided to all stakeholders

R21. There should be more transparency of the control to validate the entitlement before any vehicle is handed over to the employee,

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Detailed Findings

Management Comments	Role & name of officer responsible for action	Target Completion Date
R20 Agree. The Fleet Officer is now CC'ed into all notifications so he is able to provide advice when the Coordinator is not around.	Coordinator Fleet, Plant and Stores, Kate Kennedy	Completed.
R21 Disagree. We believe that there is sufficient segregation of duties and transparency in the system. The current processes requires POC to confirm leaseback entitlement & provide signed copy of the Leaseback Terms & Conditions prior to a vehicle being allocated to a staff member - this is carried out as part of the on boarding processes. Retained/new entitlements are also checked for internal staff movements.	N/A	N/A
Compensating controls: All replacement vehicles will require Finance confirmation of entitlement on the Vehicle Replacement form.	Coordinator Fleet, Plant and Stores, Kate Kennedy	March 2020

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Detailed Findings

2.9. Controls over Pool Vehicles need to be improved

Risk Rating High

Observations

Process:

- There is a list of an approved number of Pool Vehicles for each section (email dated 18 May 2018 from the Procurement Manager.
- While Tech One should be used to identify pool vehicles and ensure compliance with the approved allocation, this does not occur. Evidence of a register/record of Pool vehicles that have been allocated to sections has not been provided. Hence at this stage, we are unable to comment on compliance with the approved list.
- Discussion with the Coordinator Fleet, Plant and Stores indicated that, all leasebacks are considered as available vehicles for Council Business and are used as such if
 the vehicle is on site unused by the driver. Due to a large number of leasebacks that may be on site, if an employee is on a project they may be signed out a vehicle
 that is returned at the end of the day (these are not take home). No vehicle is provided without an entitlement, unless it has been given as a pool vehicle to an
 employee which needs a sign out and in.

Findings:

- . Our review of the Vehicle Usage Register and discussions with the Coordinator Fleet, Plant and Stores established that:
 - There does not appear to be any additional approval required e.g. Director to allocate a leaseback or any other Bayside Vehicle as a pool vehicle.
 - There are three vehicles on the register that have not been returned indicating that they may have been allocated to an area on a semi-permanent basis.
 One of them is to a Compliance team member who signed out a vehicle (CL75NI) on 25/3/19 that has not yet been returned.
- . The Coordinator Fleet, Plant and Stores could not confirm whether any of the vehicles in the register have been taken home.

Risks/Implications

Potential non-compliance with policy and procedures.

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Detailed Findings

Recommendations

R22. The pool allocation requirement should be reinforced with all stakeholders.

R23. Tech One should be used to identify pool vehicles and to ensure compliance with the approved allocation.

R24. Regular management reporting of allocated pool vehicles should be implemented.

R25. Management oversight of Pool Vehicle allocations and usage should be enhanced.

R26. Oversight over the Vehicle Usage Register should also be enhanced to ensure that vehicles that have been signed out are returned at end of day unless there is a valid Take Home Vehicle Allocation Agreement in place.

Management Comments	Role & name of officer responsible for action	Target Completion Date
R22 There are no pool vehicles allocated to a business unit. All pool vehicles are managed by Fleet. However, All vehicle log books need to be submitted to Fleet for review on a monthly basis. Fleet will communicate this new requirement to the business. This will not include the leaseback vehicles.	Coordinator Fleet, Plant and Stores, Kate Kennedy	March 2020
R23 Once the implementation project is completed, Tech One will be utilised to categorise all vehicles including pool vehicles. In the interim, the spreadsheet in R1 will indicate the categories.	Coordinator Fleet, Plant and Stores, Kate Kennedy	June 2020
R24 Disagree. No permanent pool vehicles allocated to individual business units.	N/A	N/A

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Detailed Findings

R25 Agree. There will be a consistent process implemented of reminding staff of their obligations in the use of all Council vehicles. Fleet will be managing this process	Coordinator Plant Fleet Stores, Kate Kennedy	March 2020,
R26 Agree. Random spots checks will be undertaken on the Vehicle Usage Register with the Coordinator Fleet Plant and Stores signing off on the Register after review.	Coordinator Fleet, Plant and Stores, Kate Kennedy	March 2020

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Appendix A

APPENDIX A: Physical Verification Results

<Insert Excel Spreadsheet>



Appendix B

APPENDIX B: Listing of Bayside Stakeholders interviewed

akeholders
chael Mamo, Director City Performance
usto Sut, Manager Governance and Risk
atasha Balderston, Internal Auditor
ibbi Mayne, Manager Customer Experience
ste Kennedy, Coordinator Fleet and Stores
olin Clissold, Director City Presentation
eve Poulton, Manager Fleet
ank Tambosts, Procurement Officer

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Appendix C

APPENDIX C: List of documents reviewed

Tech One asset Register		
Plant and Equipment Register		
Airport Business Unit Asset register		
Leaseback and Take home Vehicles lists		
Fleet budget		
Fleet Management Policy		

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Appendix D

Summary of Recommendations for Action

Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date
R1. Multiple asset registers and records should be streamlined. There needs to be a single source of truth to record Fleet and Plant assets (for physical existence and financial valuation).	Council is currently determining the plan for reimplementation of Tech1 which is intended to act as the single source of truth for all fleet and financial records. In the interim, an external excel specialist engaged to develop fleet management data base for "single source of truth".	Manager Procurement, Joe Cavagnino	December 2019
R2. Processes and accountabilities for addition and disposal of assets need to be streamlined and agreed by Procurement and Finance as well as Fleet Operations for minor plant to ensure completeness and accuracy of asset records and that assets are commissioned and disposed of in both Tech One and PE registers accurately and on a timely basis.	Agree. A restructure has been proposed and commenced. The Coordinator Fleet, Plant and Stores and Fleet Officer will be redeployed from City Works City Presentation, to Procurement in City Performance. All these functions will be under the one management section. A meeting will be held with Finance on commissioning and disposal of assets.	Manager Procurement, Joe Cavagnino	June 2020
	The current processes for addition and disposal of assets will be reviewed following the restructure and review		

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Appendix D

Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date
	following re-implementation of Technology One.		
R3. The process over the disposal of assets where they are no longer serviceable needs to be developed and these assets appropriately reflected (disposed) in Tech One.	Agree. Fleet: Fleet is responsible for the disposal of minor plant, either by auction or destruction. To this extent, the Minor Plant Replacement form will be updated to reflect that the disposal of minor plant is authorised. If the small plant is sent to auction, the sale payment advice will be sent to Fleet, Procurement and Finance and the money directly inputted into Council's bank account.	Coordinator Fleet, Plant and Stores, Kate Kennedy	December 2019
	Finance: Finance is responsible for the commissioning and disposal of assets within Tech One. It is accepted that disposals are currently not being done in the Tech One system. However, a Tech One reimplementation project is currently underway and the system will be configured to allow for disposals. Once configured, the process and procedures will be documented. Tech One was not implemented correctly and has a significant level	Manager Finance, Matthew Walker	September 2020

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Appendix D

Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date
	corrupt data. Excel spreadsheets were used to provide financial asset registers for financial reporting purposes. It should also be noted that Council has not been compliant with financial reporting compliance and was completing audits 18 months or more after end of financial period and the financial asset register was not able to be updated till each reporting period was audited.		
R4. The process to create, assign, and monitor fleet and minor plant in Tech One should be developed and implemented to ensure completeness and accuracy of asset records.	The Tech One CIA Implementation will include process for the commissioning and disposal of assets in the Fleet Asset Register. This project will also have a data element and Fleet Asset Data will be included in this process. Investigation of additional functionality via an integrated forms module will also be an element of this project. The Tech One CIA implementation is scheduled for 1 July 2020 and as this is being developed in a new environment and tight timeframe, there is limited capacity to retrofit into current environment.	Manager Finance, Matthew Walker	August 2020

Bayside Council - Review of Fleet and Plant (including Minor Plant) - June 2019

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Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date
	A revised interim solution is being investigated for implementation in 2019/20.		
R5. There is a need for a structural assessment of Fleet and Fleet Budget Management. Rationalising the currently split accountabilities in procuring and disposing of vehicles should be considered. For example, Fleet could retain the service and maintenance of vehicles and the procurement, receiving and disposal of vehicles could reside with Procurement and/or Finance. This would streamline accountabilities in managing the Fleet Capital Budget, Fleet lifecycle planning and management and the Asset Register. Restructuring would streamline the accountabilities for maintaining the budget and the asset register (into a single source of truth).	Agree. A restructure has been proposed and commenced. The Coordinator Fleet, Plant and Stores and Fleet Officer will be redeployed from City Works City Presentation, to Procurement in City Performance. All these functions will be under the one management section.	Director City Performance	Completed
R6. It is recommended that Management implement controls to ensure that asset registers are regularly reconciled (six monthly) with a physical count of assets after the abovementioned differences have been corrected. This should be supplemented with a	Agree. Physical spot check verifications will be conducted with Procurement and Finance once a single "source of truth" is finalised. A complete physical audit is beyond our resources at this point of time. However, a physical	Manager Procurement, Joe Cavagnino	June 2020

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Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date
tightening of controls around the recording of asset acquisitions and disposals.	verification of will be undertaken on a cyclical and sample basis every 3 years.		
R7. For future commercial activities like ABU, it is recommended that Management implement controls to ensure that asset registers are regularly reconciled (six monthly) with a physical count of assets after the abovementioned differences have been corrected. This should be supplemented with a tightening of controls around the recording of asset acquisitions and disposals.	Agree. Any future separate business units will have to adhere to the Fleet Management Policy. Fleet Management Procedures will need to be developed. Additionally, the Asset Management Policy, which is currently being drafted and the corresponding procedures will also be implemented. It is important to note that at present there are no separate business units hence no process required at this	Coordinator Fleet, Plant and Stores, Kate Kennedy (Fleet Management Procedures) Manager City Infrastructure, Jeremy Morgan (Asset Management Policy and Procedures)	September 2020 September 2020
R8. The management and recording of vehicle disposals requires improvement to enable effective management, monitoring and oversight of the process. Vehicles should be sent for auction without delay. The status of returned vehicles should be updated in Tech One to enable assessment of when the vehicle was returned and physically disposed of.	Agree. Operational requirements mean some vehicles stay on site to relieve others that may require mechanical repairs, as well, as vehicles for new starters. Moving forward, all vehicles on site for more than 8 weeks will be reported to the Manager Procurement and Director City Performance for information and review. This review process will ensure the proper oversight required and allow for the business to	Coordinator Fleet, Plant and Stores, Kate Kennedy	March 2020

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Recommendations		Management Comments	Role & name of officer responsible for action	Target Completion Date
•	Once the vehicle is disposed of, Tech One should be updated with the	have flexibility in the way they operate.		
disposal by Finance. Management reporting should be implemented and oversight enhanced by the relevant areas.	Date of vehicle return and date of vehicle disposal will be included in the spreadsheet mentioned in R1		March 2020	
	Disposal process will be returned to Tech One once project is completed. This will be undertaken by Finance.		November 2020	
		This will be considered as the new Tech One system is being developed and appropriate management reports will be designed that provides vehicle disposal information.		November 2020
		Standard reconciliation process for in year movements will also be implemented in the Tech One CIA Implementation.		
R9. Consider a restructure of accountabilities		Disagree. Finance will create and	Manager Finance, Matthew Walker	August 2020
Financ respon reduce identif record source	nicle disposals so they reside within e along with the end-to-end sibilities for procurement. This will the delay between a vehicle being fied for disposal, the actual disposal and fing thereof. Also by introducing a single of truth for assets, management ght, management of the capital budget	dispose the asset in Tech One and Procurement will manage and dispose of the physical asset. Disposals in Tech One will not commence until the reimplementation project has been completed.	Coordinator Plant Fleet and Stores	

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Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date
and management of whole of life costs will be enhanced.	Agree: A single source of truth will be used. Until Tech One is implemented, the spreadsheet being developed (as mentioned in R1) will be used to record vehicles that have been sold.		
	All roles and responsibilities undertaking the specific duties will be reviewed as part of the Business Readiness Component of the Tech One CIA Implementation project.		
R10. Asset disposal processes that include proof of disposal or destruction documents that are signed by an independent officer should be developed and implemented.	Agree. Minor plants are utilised until it no longer has value (i.e. broken down or the parts to replace it is more than purchasing a new item). Minor plant replacement form will be updated to include details regarding disposal and/or destruction. This will be signed off by the Coordinator Fleet Plant and Stones (City Performance) and Workshop Coordinator (City Presentation) and saved in the Content Manager and the CM reference number added to the spreadsheet as evidence of disposal. Once Tech One has been implemented, this will be attached to the asset.	Coordinator Plant Fleet and Stores, Kate Kennedy	June 2020

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Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date
R11. Evidence of management approval of disposal or destruction should be retained.	Agree. The Minor Plant Replacement form will be updated to include information on disposals. This form will be reviewed and signed off by the workshop coordinator (or an appropriate delegate and then signed by the Coordinator Fleet, Plant and Stores. These documents will be saved in Content Manager and the CM reference number will be recorded against the interim spreadsheet. Once the Tech One project is completed, the document will be saved against the asset in the system.	Coordinator Plant Fleet and Stores, Kate Kennedy	February 2020
R12. Records to track minor plant that are retired and utilised for space parts should be developed and implemented.	Disagree. Once the asset is no longer serviceable and retained for parts, no further action is required other than a record of the disposal.	N/A	N/A
R13. The lack of management oversight should be addressed by implementing appropriate processes and controls over the requesting, authorising, use and take home of Council vehicle. Roles and responsibilities over the process and the THVA policy should be clearly defined and exercised.	Agree. We note that the current approval process for take home vehicle on existing fleet is approved by the Director. Any request for new vehicles for the business area is presented to the Executive for approval. Staff within the City Presentation Directorate are primarily the individuals who access	Coordinator Plant Fleet and Stores, Kate Kennedy	June 2020

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Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date
	a take home vehicle. An email communication was sent to all City Presentation Managers and Coordinators 21st June 2019, reminding them of their obligations in regards to allocation of a take home vehicle. All staff with a current take home vehicle allocation have signed off on the Take Home Vehicle Terms and Conditions.		
	For better oversight, the Take Home Vehicles Terms and Conditions document will updated to include the following information:		
	 The type of vehicle allocated and from where (where the workshop or a business unit); and 		
	Coordinator Fleet, Plant and Stores have been notified.		
	Roles and responsibilities will be made clear in the Take Home Vehicle Terms and Conditions document.		
R14. The authorisation and legal requirements of any vehicle that is allowed to be taken home should be reinforced.	Agree. Email communication was sent to all City Presentation managers and coordinators 21st June reminding them	Coordinator Fleet, Plant and Stores, Kate Kennedy	Completed

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Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date
	of their obligations in regards to allocation of a take home vehicle. Regular reminders on the Take Home Vehicle Terms and Agreement will be done bi-annually. These Terms and Agreements will be re-signed annually for those with long term allocations. Notification to re-sign these Terms and Conditions will be initiated by POC.	Coordinator Fleet Plant and Stores In collaboration with Manager POC	June 2020
R15. Consider executing Take Home Vehicle Allocation Agreement retrospectively for employees that were flagged during Project Harmony as being entitled.	Agreed.	Coordinator Plant Fleet and Stores, Kate Kennedy	Completed.
R16. Consider restructuring Fleet Management with end-to-end accountability over procurement and receiving of vehicles residing within Finance. Fleet servicing and maintenance should continue to reside with Fleet.	Disagree. To ensure proper segregation of duties, Fleet will be restructured to sit under Procurement, while City Presentation manage the servicing and maintenance of fleet and plant.	N/A	N/A
R17. The vehicle procurement policy should be reinforced with Fleet staff and vehicle drivers, and in particular, highlighting the policy relating to amendments to specification irrespective of those that have a financial or non-financial impact.	Agree. The Procurement Policy is on the website for easy access. Following the restructure, there will be toolbox talks to ensure any change made to a purchase order for vehicles or plant is	Manager Procurement, Joe Cavagnino	March 2020

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Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date
	sent to the Procurement Manager for approval.		
R18. Scrutinise P/Os that have additional items to those in the accepted quote and assess whether there is a need to call for revised quotations.	Agree, All amendments to POs relating to motor vehicles and plant will be signed off by the Procurement Management, Toolbox talks will be undertaken to support this process.	Manager Procurement, Joe Cavagnino.	March 2020
R19. Consider reducing the on-roads value in the P/O.	Disagree. The registration cost of a vehicle is unknown at the time of purchase as it is dependent on the date the vehicle is registered by the dealer (runs to a common expiry date, can be over 12 months during the last quarter of the renewal period) and so an average cost is used each time (lower amount for cars, more for heavy vehicles). As each vehicle invoice is fully itemised, the risk of an additional accessory being included and paid from this line is low.	N/A	N/A
	Compensating control: A table will be developed to show how much the approximate registration costs will be for each class of vehicle. This will serve as a guideline in raising POs.	Coordinator Fleet Plant and Stores	November 2019

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Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date	
R20. There needs to be a more streamlined process - potentially online with required notifications to all stakeholders to ensure that in the absence of the Coordinator Fleet, Plant and Stores, the required advice is provided to all stakeholders	Agree, The Fleet Officer is now CC'ed into all notifications so he is able to provide advice when the Coordinator is not around.	Coordinator Fleet, Plant and Stores, Kate Kennedy	Completed	
R21. There should be more transparency of the control to validate the entitlement before any vehicle is handed over to the employee.	Disagree. We believe that there is sufficient segregation of duties and transparency in the system. The current processes requires POC to confirm leaseback entitlement & provide signed copy of the Leaseback Terms & Conditions prior to a vehicle being allocated to a staff member - this is carried out as part of the on boarding processes. Retained/new entitlements are also checked for internal staff movements.	N/A	N/A	
	Compensating controls: All replacement vehicles will require Finance confirmation of entitlement on the Vehicle Replacement form.	Coordinator Fleet, Plant and Stores, Kate Kennedy	March 2020	
R22. The pool allocation requirement should be reinforced with all stakeholders.	There are no pool vehicles allocated to a business unit. All pool vehicles are managed by Fleet. However, All vehicle log books need to be submitted to Fleet	Coordinator Fleet, Plant and Stores, Kate Kennedy	March 2020	

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Recommendations	Management Comments	Role & name of officer responsible for action	Target Completion Date
	for review on a monthly basis. Fleet will communicate this new requirement to the business. This will not include the leaseback vehicles.		
R23. Tech One should be used to identify pool vehicles and to ensure compliance with the approved allocation.	Once the implementation project is completed, Tech One will be utilised to categorise all vehicles including pool vehicles. In the interim, the spreadsheet in R1 will indicate the categories.	Coordinator Fleet, Plant and Stores, Kate Kennedy	June 2020
R24. Regular management reporting of allocated pool vehicles should be implemented.	Disagree. No permanent pool vehicles allocated to individual business units.	N/A	N/A
R25. Management oversight over Pool Vehicle allocations and usage should be enhanced.	Agree. There will be a consistent process implemented of reminding staff of their obligations in the use of all Council vehicles. Fleet will be managing this process	Coordinator Fleet, Plant and Stores, Kate Kennedy	March 2020
R26. Oversight over the Vehicle Usage Register should also be enhanced to ensure that vehicles that have been signed out are returned at end of day unless there is a valid Take Home Vehicle Allocation Agreement in place.	Agree. Random spots checks will be undertaken on the Vehicle Usage Register with the Coordinator Fleet Plant and Stores signing off on the Register after review.	Coordinator Fleet, Plant and Stores, Kate Kennedy	March 2020

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Appendix E

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.
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 disadisfaction 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 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 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 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 floence resulting in court attendance notice
Low	Little or no impact on business objectives	<\$50k recurrent impact on operating budget, one-off impact <\$0.2m.	Usual scheduled interruptions unscheduled interruptions for <4 hours.	One off insignificant adverse local media or public complaints.	Council issued with fixed Penalty Infringement Notice for breach of legislation	Localised raising of concerns by staff Isolated incidents and/or 'near miss' occurrences.	Tree removal in environmentally sensitive area leading to protest and local environmental concern lsolated infringement of environmental licence leading to fixed penalty

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Risk & Audit Committee

28/11/2019

Item No 5.5

Subject Internal Audit Recommendations - verification of implementations

of outstanding recommendations.

Report by Natasha Balderston, Internal Auditor

File SF19/211

Summary

This report provides an overview of the progress made on the implementation of internal audit recommendations. The audit verified 111 audit recommendations outstanding of which 97 were due. The verification audit identified that 87% (84) had been satisfactorily implemented and 13% were in progress/not started and overdue.

The legacy recommendations from the Parks and Gardens audit compromised the majority of the overdue recommendations including one recommendation where no substantial action had been taken. The Executive Committee has determined this recommendation will be implemented and a mobility solution, through TechOne, is currently being considered.

Should the legacy recommendations be excluded (i.e. 14) then the implementation rate increases to 92% (i.e. 76 of the 83 recommendations). This represents a sound implementation rate and Managers have provided revised completion dates for those recommendations overdue.

Officer Recommendation

- 1 That the Risk & Audit Committee notes and receives this report.
- 2 That the Risk & Audit Committee endorses the revised due dates for the recommendations which are overdue.
- That the Risk & Audit Committee notes the Internal Audit will verify audit recommendations on a bi-annual basis and present the results at the relevant scheduled meetings.

Background

The current outstanding internal audit recommendations arising from three areas being legacy recommendations pre-merger, health check recommendations post-merger and internal audit programs post-merger.

Legacy Recommendations

When Bayside Council was formed, the outstanding audit recommendations from the two former Councils were merged and presented to the Executive Committee. Over a period of a year, the majority of the recommendations were incorporated into the new business units as business as usual or closed (due to them no longer being relevant). The recommendations

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that remained as open and assessed as still requiring to be addressed were distributed to the relevant Managers for action. The two audits that fall in this category are the Parks and Gardens audit and the Leave audit. 14 recommendations were outstanding for these audits.

Health Checks

To provide value added services to the Council while the organisation was amalgamating, Internal Audit developed an audit program consisting of four health checks on the high risk business areas. The purpose of the health checks was to provide the relevant Manager with a list of controls that should be incorporated into the business unit's processes as they were being developed. The health checks were agreed with the Managers and then followed up on a quarterly basis by internal audit to check on its implementation. Health checks were developed for the following business processes:

- Procurement
- Payroll
- Management of Employee Licenses, Tickets, Qualifications and Training
- Contractor Management.

Current Internal Audit Program

In addition, twelve internal audits and one additional health check have been completed, three of which had recommendations due as at September 2019. These three are as follow:

- Internal Audit of Inventory Management
- Internal Audit of Cash Handling
- Accounts Payable Health Check.

All these audits and reviews produced findings and recommendations. Management provided updates on the progress they made on these recommendations on a quarterly basis.

Internal Audit Verification

As part of the 2019/20 audit plan, Internal Audit reviewed all audit recommendations reported as completed and were overdue in the Pulse system and verified if the recommendations made had been implemented.

While the scope of the audit was to verify the implementations of recommendations from:

- Internal audits, including health checks;
- ICAC
- Project 2020
- Risk Management -Continuous Risk Improvement Program (CRIP).

This report focuses on the verification of Internal Audit recommendations (Parks & Gardens, Leave, Inventory Management and Cash Handling), health check follow up reviews (Employees Mandatory Licenses Processes, Payroll, Procurement and Accounts Payable) and the Continuous Risk improvement Program.

A separate report will be provided to the Risk & Audit Committee on the verification of audit recommendations from Project 2020 and ICAC.

Summary of Key Findings:

Overall, the status of outstanding recommendations was assessed as **satisfactory**. The following tables provide a summary based on audits and directorates.

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Table A

Rep	port Name	TR	C(M)	C(IA)	IP	ND	NSA
1.	Internal Audit - Parks & Gardens	12	12	6	5	0	1
2.	Internal Audit - Leave	2	2	2	-	-	-
3.	Internal Audit – Inventory Management		17	17	2	-	-
4.	Internal Audit – Cash Handling	27	21	23	2	2	-
5.	Health Check – Employee Mandatory Licenses Processes	5	3	3	1	1	-
6.	Health Check - Payroll	10	9	9	-	1	-
7.	Health Check – Procurement	9	5	7	1	1	-
8.	Health Check – Accounts Payable	10	2	7	1	2	-
9.	Continuous Risk Improvement Program	17	4	10	-	7	-
Tot	al	111	75	84	12	14	1

Table B

Directorate	TR	C(M)	C(IA)	IP	ND	NSA
City Life	38	32	29	7	2	-
City Performance	37	12	25	2	10	-
City Presentation	20	18	17	2	-	1
General Manager's Unit	16	13	13	1	2	-
Total	111	75	84	12	14	1

Legend:

TR Total recommendations

C(M) Completed as reported by Management in Pulse

C(IA) Completed and verified by Internal Audit

IP Implementation of the recommendations is in progress but over due

ND The recommendation is not due for implementation

NSA Due but no substantial action has been taken

75 recommendations were reported as completed by Managers in the Pulse system. The audit identified 84 recommendations as satisfactorily implemented. This represented a completion rate of 87% of those due. Excluding the legacy audits, the completion rate increased to 92% of those due.

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The legacy audit recommendations for Leave have been implemented and this audit may be closed.

The audit noted there were 13 recommendations that were overdue and new due dates had been provided by the Managers for 12 of those. It is important to note that almost 50% (6) of the overdue recommendations relate to the legacy recommendations from the Parks and Gardens audit. A list of these recommendations and the revised due dates can be seen in the table below:

No	Report Title	Recommendation	Old due date	Revised due date
1	Health Check – A/P	Management should consult with the TechOne vendor to explore options of how to include all suppliers' information on the payment advice.	30 Sept 2019	31 Dec 2019
2	Health Check - Employees' Mandatory Licences Processes	There should be a process whereby WHS are advised of any role or position changes to ensure that the register is updated for required LTQT requirements and that it has been completed.	31 Jan 2019	31 Dec 2019
3	Health Check - Procurement	Explore features available in TechOne to assist in data analysis for reporting to management.	31 Jul 2019	31 Jul 2020
4	Cash Handling	A policy and procedure should be developed and implemented in relation to the wearing and use of personal duress alarms. Staff should be made aware of the use of personal duress alarms.	31 Jul 2019	28 Feb 2019
5	Cash Handling	Appropriate policies and procedures should be developed and implemented to address the matters raised above (refer to report).	31 Aug 2019	31 Mar 2020
6	Inventory Management	A daily, automated ETL from Data Fuel to TechOne should be investigated and implemented.	30 Sept 2019	31 July 2019
7	Inventory Management	Investigate unused bio-diesel and assess for potential write-off/disposal if it is unlikely to be used. The fuel may need to be reanalysed to assess if it meets specification, if a decision to use or dispose of it is made.	30 Jun 2019	31 Dec 2019
8	Parks and Gardens (now known as Sports and Recreation)	A booking policy should be developed by the Coordinator Sports and Recreation, or his/her delegate to provide clear guidelines to the Booking Officer and the public (shortened version of recommendation).	31 Aug 2019	31 Dec 2019
9	Parks and Gardens (now known as Sports and Recreation)	Once developed, this policy should be approved by the relevant Committee and then uploaded onto the internet for easy access and information purposes for the public.	30 Sept 2019	31 Dec 2019
10	Parks and Gardens (now known as Sports and Recreation)	The Booking Officer should develop/update the Booking Procedures document to ensure there is a step-by-step guide on how to process booking requests when it is received.	30 Sept 2019	30 Jun 2020
11	Parks and Gardens (now known as Sports and Recreation)	Management should consider all activities which are permissible in parks and reserves (shortened version of recommendation)	30 Sept 2019	31 Dec 2019
12	Parks and Gardens (now known as Sports and Recreation)	The Booking Policy should clearly state that any requests to book parks and reserves to conduct activities outside those listed will be assessed on a risk basis.	30 Sept 2019	31 Dec 2019

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The audit also identified there was no substantial action taken on one audit recommendation but it was reported as completed in Pulse (see below). No revised completion date has been provided on this recommendation.

Finding

Photograph items that require attention (Risk Rating: High).

Management Comment

Not all damaged or items that require immediate attention are photographed. The Team Leaders are provided with company phones to take photos but the field staff are not provided with company phones and they are not expected to use their own phone to take photos. The issues are documented in the daily maintenance checklist (by field staff), updated into Pathways (by Team Leaders) and delegated to the relevant department. Due to the lack of resources, maintenance will not take photos of all issues.

The Executive Committee decided this recommendation will remain open until it is implemented. A technology and mobility solution through the use of TechOne is currently being considered.

Conclusion

Considering the organisation has had a fuller and more robust audit program for FY 2018/19 and 2019/20, it is pleasing to see such a positive result to this audit. It shows a commitment from the business areas to use audit recommendations in a positive way to improve their processes and business operations.

The detailed internal audit report is attached to this report for the Risk and Audit Committee's consideration.

The revised due dates have been approved by the Executive Committee and Internal Audit recommends that the Risk & Audit Committee endorses them.

Attachments

FINAL - Follow Up Review of Past Internal Audit Recommendations - October 2019 U

Item 5.5

BAYSIDE COUNCIL (BC)

Follow Up Review of Past Audit Recommendations

October 2019

BDO



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

Follow Up Review of Past Audit Recommendations

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Item 5.5 – Attachment 1

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Inherent Limitations

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

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

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

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

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

Limitation of Use

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Executive Summary

1 Executive summary

1.1 Background

This internal audit is being undertaken as part of Bayside Council's (BC) Approved Internal Audit Program for the year ending 30 June 2020.

The objectives and scope of the internal audit were documented in a Terms of Reference document dated August 2019.

1.2 Purpose

The purpose of this internal audit was to review the progress of implementation for:

- Internal audit recommendations;
- ICAC recommendations:
- The recommendations from Project 2020;
- Health check follow up reviews; and
- Continuous Risk Improvement Program (CRIP).

1.3 Scope

The scope of the internal audit is limited to internal audit recommendations (Parks & Gardens, Leave, Inventory Management and Cash Handling), health check follow up reviews (Employees Mandatory Licenses Processes, Payroll, Procurement and Accounts Payable) and the Continuous Risk improvement Program. Due to the timing and staff availability, the recommendations from Project 2020 and ICAC are not covered in this report.

1.4 Approach

The following approach was undertaken during the internal audit:

- Kick off meeting with key stakeholders;
- We obtained the relevant reports / recommendations and reviewed the progress to date in implementing;
- Interviewed BC personnel responsible for implementation of actions;
- Examined relevant documentation and/or sight physically completed implementations to determine actions completed or in-progress; and
- Prepared Draft and Final Reports of findings and cleared with BC Management.

1.5 Summary of key findings

This internal audit assessed the progress in the implementation of recommendations made in four internal audit reports, four health checks and one continuous risk improvement program.

Overall, the status of outstanding recommendations was assessed as satisfactory. The majority of recommendations have been satisfactorily addressed, except for three recommendations from the <u>Parks & Gardens</u> <u>Internal Audit</u>, where no substantial action was taken, as set out below:

- Photograph items that require attention Not all damaged or items
 that require immediate attention are photographed. The Team Leaders
 are provided with company mobile telephones to take photos, but the
 field staff are not provided with Council mobile phones and they are
 not expected to use their own phone to take photos. The issues are
 documented in the daily maintenance checklist (by field staff), updated
 into Pathways (by Team Leaders) and delegated to the relevant
 department. Due to the lack of resources, Maintenance will not take
 photos of all issues:
- Parks and Gardens Policy The policy and condition of use are documented in the respective sporting fields, parks and venue booking forms. The policy and condition of use are available to the public on

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Executive Summary

the Council's website. Sports and Recreation will not develop a separate policy document. Internal Audit noted that this policy and condition of use needs to be updated. It refers to the Recreation and Community Facilities Management Policy which is no longer valid; and

 Approval of Parks and Gardens Policy - A separate policy document will not be developed, refer to comments in point 2 above.

A summary of the findings is presented below and more detail in Section 2 of this report. Our overall findings are summarised in the following Tables - Table A (by Reports) and Table B (by Directorate), which show the status of the recommendations:

Note: Refer to the legend for description of the table headings.

Table A

Rep	ort Name	TR	C(M)	C(IA)	IP	ND	NSA
1.	Internal Audit - Parks & Gardens	12	12	6	3	0	3
2.	Internal Audit - Leave	2	2	2	-	-	-
3.	Internal Audit - Inventory Management	19	17	17	2	=	*
4.	Internal Audit - Cash Handling	27	21	23	2	2	
5.	Health Check - Employee Mandatory Licenses Processes	5	3	3	1	1	
6.	Health Check - Payroll	10	9	9	-	1	

Rep	port Name	TR	C(M)	C(IA)	IP	ND	NSA
7.	Health Check - Procurement	9	5	7	1	1	1
8.	Health Check - Accounts Payable	10	2	7	1	2	-
9,	Continuous Risk Improvement Program	17	4	10	*	7	180
Tot	tal	111	75	84	10	14	3

Table B

Directorate	TR	C(M)	C(IA)	IP	ND	NSA
City Life	38	32	29	5	2	2
City Performance	37	12	25	2	10	
City Presentation	20	18	17	2		-1
General Manager's Unit	16	13	13	1	2	
Total	111	75	84	10	14	3

Legend:

TR - Total number of recommendations.

C(M) - Completed as reported by Management in Pulse..

C(IA) - Completed and verified by Internal Audit.

IP - Implementation of the recommendations is in progress but overdue.

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ND - The recommendation is not due for implementation NSA - No substantial action has been taken

1.6 Acknowledgement

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

1.7 Report clearance

The contents of this report have been discussed with Natasha Balderston-Internal Auditor.

Yours sincerely

Sean Pascoe

Partner, BDO Risk Advisory

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Detailed Findings

2 Detailed findings

2.1 Internal Audit - Parks and Gardens (2018)

Background

There were three findings and 12 recommendations raised in the Parks and Gardens Internal Audit report. The findings and recommendations were around parks and gardens maintenance work, and policy and procedures on booking process.

Key Findings of the Internal Audit Report

The key findings noted in the Internal Audit Report were as follows:

- · Identification and completion of parks maintenance works could be more proactive;
- · Lack of clear guidelines in place to manage the booking process; and
- · It is unclear what types of events require a formal booking to be made.

Implementation Status by Recommendation									
Recommendations in Report		Status							
	Completed (reported by Algmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken				
1.1 Identification and completion of parks maintenance works could be more proactive									
R1 A comprehensive checklist should be created by the Manager Parks and Open Space, or his delegate, in collaboration with other business areas to ensure that all relevant areas within the	1	1							

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Detailed Findings

Recommendations in Report			Status		
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken
parks, reserves, ovals and sporting field are covered. This checklist should be used by the Outdoor Supervisors when doing their quarterly checks.					
R2 Consideration should be given to creating a similar abbreviated checklist for the groundsmen and the relevant mowing crew to use when they check the parks for damage and maintenance work	1	~			
R3 Consideration should be given to supervisors taking pictures of all damage, including those which require immediate attention	1				/
R4 The Outdoor Staff Supervisors should, at a minimum, do a quarterly audit of all their parks,gardens, reserves, ovals and sporting fields.	/	1			
1.2 Lack of clear guidelines in place to manage the booking process					
Rt A booking policy should be developed by the Coordinator Sports and Recreation, or his/her delegate to provide clear guidelines to the Booking Officer and the public. The policy can either be an overarching document covering all activities and facilities, a separate policy for different uses or in another manner which suits Council. This policy should include, but not be limited to:					
a) what are considered permissible and excluded activities in parks.	1				1
b) how many people have to attend an event for it to be chargeable.					
c) what areas are not conducive or allowed for any activities, if relevant.					
d) what types of permits are available.					

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Detailed Findings

Recommendations in Report			Status		
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken
e) payment of booking fees,					
f) what the hirer is entitled to by making a booking e.g. exclusive use of area.					
p) paperwork and insurancesrequired for each type of booking.					
 h) where relevant, the number of hours a park, reserve or sporting field can be booked for each week. 					
 process surrounding cancellation and rescheduling of existing bookings and the cost, if any, associated with it. 					
R2 Management should consider the merits of providing the hirer exclusive use of the area requested when deciding on what a hirer is entitled to when making a booking. This would further encourage users of parks to hire it for their use, instead of using it in an unauthorised manner.	1	1			
R3 Once developed, this policy should be approved by the relevant Committee and then uploaded onto the internet for easy access and information purposes for the public.	,				1
R4 The Booking Officer should develop/update the Booking Procedures document to ensure that there is a step-by-step guide on how to process booking requests when it is received.	1		/		
1.3 It is unclear what types of events require a formal booking to be made					
R1 Management should consider all activities which are permissible in parks and reserves. At the minimum, the following additional events should be considered:	,		,		
a) social gatherings and the threshold at which the hirer will be charged.					

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Detailed Findings

Recommendations in Report	Status				
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken
b) christening.					
c) photography and videography for weddings.					
 d) set up of strcutures/props such as tables, chairs, wood fire pizza ovens, camping tents and electric heaters and air coolers. 					
e) use of equipment including public address system.					
f) charity and fundraising events.					
R2 Management should consider the consequences for Inappropriate an unauthorised use of parks and reserves. If management decided that a fine is the bets solution, a fine amount should be determined. Once the above has been finalised, it should be presented at the relevant Committee meeting for approval. Once approved, the information should be included in the Booking Policy and uploaded onto the internet page for easy access, review and use by the public.	,	,			
R3 The Booking Policy should clearly state that any requests to book parks and reserves to conduct activities outside those listed will be assessed on a risk basis.	1		1		
R4 The consequences agreed upon by management and approved by the relevant Committee should be communicated to the Coordinator Compliance for enforcement by his Rangers.	7	1			

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Detailed Findings

Progress update of the work completed and work to be done

There were a total of 12 recommendations in the internal Audit Report, six recommendations were verified as completed. There were two recommendations which were in progress (due) and there were three recommendations where there was "No Action Taken". For recommendations where "No Action Taken", the following was noted based on the discussion with the relevant staff responsible for the actions:

Recommendation 1.1 (R3) - Not all issues are photographed. The Team Leaders are provided with company mobile phones to take photos but the field staff are not provided with company phones and they are not expected to use their own phone to take photos. The issues are documented in the daily maintenance checklist (by field staff), updated into Pathways (by Team Leaders) and delegated to the relevant department. Due to the lack of resources, maintenance will not take photos of all issues.

Recommendation 1.2 (R1) - The policy and conditions of use are documented in the respective sporting fields, parks and venue booking forms. The policy and conditions of use are available to the public on the Council's website. Sports and Recreation will not develop a separate policy document. Internal Audit noted that this policy and conditions of use needs to be updated. It refers to the Recreation and Community Facilities Management Policy which is no longer valid.

Recommendation 1.2 (R3) - Refer to comment above in Recommendation 1.2 (R1).

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Detailed Findings

2.2 Internal Audit - Leave (2018)

Background

There were two findings and two recommendations raised in the Leave Internal Audit report. The findings and recommendations were the standard operating procedures manual.

Key Findings of the Internal Audit Report

The key findings noted in the Internal Audit Report were as follows:

- · The payroll standard operating procedures does not reflect the current processes; and
- · Availability of the payroll standard operating procedure to staff processing payroll.

Implementation Status by Recommendation									
Recommendations in Report	Status								
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken				
R1 The Manager People & Organisational Culture, or an appropriate delegate, should update the Payrun Standard Operating Procedures Manual to fully reflect current payroll processes.	,	<i>y</i>							
R2 The updated SOPs Manual should be kept in soft copy on the Payroll shared drive.	1	1							

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Detailed Findings

Progress update of the work completed and work to be done

The two internal audit recommendations for the have been satisfactorily completed.

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Detailed Findings

2.3 Internal Audit - Inventory Management (April 2019)

Background

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

Key Findings of the Internal Audit Report

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

- Harmonisation of inter and intra depot stores should be expedited to rectify matters such as different stock codes and stock items, grouping of multiple products under the
 same broad stock code, differing accounting treatments of store items between the two Depots, store organisation and specific location of items physically and referenced in
 TechOne, incorrect units of measure set up in TechOne for store items, and minimum and maximum stocking levels for individual stores items not being established;
- 2. Discrepancies in fuel balances primarily caused by incorrect processing of fuel received and dispensed were noted. We noted that there is no set schedule for updates to TechOne of fuel dispensed with delays of up to 2 weeks having been noted. The period of Data Fuel system's data extraction is not recorded in a register at the Botany Depot to ensure completeness of the TechOne update. Additionally, the extracted data file can (and sometimes needs to be) changed to minimise upload errors (deletion of zero fuel dispensed records);
- While reasonably effective processes and controls have been established at both Bexley and Botany that comply with the recently implemented inventory Management Procedures, there is scope for improving procedures to ensure completeness and accuracy of processing Stores Issue Requisitions (SIR);
- 4. Obsolete stock identification and disposal processes have yet to be developed and implemented. Such processes would include identifying slow moving, old or unused stocks, determining shelf life and deciding upon the strategy (retention, disposal or destruction) for stores items. A destruction certificate or equivalent that is independently signed as evidence of destruction has not been developed;
- 5. A formal approval process for adding, deleting or modifying stores items in the TechOne inventory master file has not been developed. Additionally, inventory adjustments can be individually made in TechOne without secondary review or approval. An audit trail report review or secondary work flowed approval has not been implemented; and
- Inventory Management controls are deficient in some areas at the Botany Golf Course, Aquatic Centre and Squash and Tennis Courts. Individual stock locations for each of these sites should be considered for implementation in Tech 1 and the functionality of Tech 1 should be utilised to manage inventory.

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Detailed Findings

Recommendations in Report			Status		
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken
2.1 Inventory Management processes require improvement					
R1 The following matters raised above should be addressed within the Inventory mprovement project and their implementation tracked accordingly:					
 Operational, financial and accounting strategies should be streamlined between the two sites to enable appropriate stocking levels, streamline products to accrue the benefits of bulk purchases. 					
Products that have been grouped under a single product code should be separated and the corresponding quantities and values rectified.					
 Inactive and obsolete stock items should be identified and disposed. 	✓	1			
 Compactus and Shelf numbers of the physical location of store items should be referenced in TechOne against the stock code. 					
 The units of measure in TechOne should be modified to reflect the ordering and issuing units. 					
Minimum and maximum levels should be developed for stock items.					
 Stock obsolescence processes should be developed and implemented. 		## ## ## ## ## ## ## ## ## ## ## ## ##			
R2 The project plan that broadly defines the approach to be used by the Fleet and Stores project team to deliver the scope and objectives of the improvement project should be	1	,			

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Detailed Findings

Recommendations in Report	Status						
	Completed (reported by Nemt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
broad objectives should be developed. Progress and status reporting should be developed to demonstrate the achievement of the scope, objectives and deliverables.							
2.2 Fuel Management controls require enhancement							
R3.1 A daily, automated ETL from Data Fuel to TechOne should be investigated and implemented.			1				
R3.2 The technical solution to modify Bexley's fuel stock codes to reflect those at Botany should be implemented.	1	1					
R4.1 More frequent fuel dips (particularly before and after a fuel delivery) should be implemented to identify and correct discrepancies (including correction of root cause) above a threshold (to be established in policy).	1	,					
R4.2 Fuel usage monitoring, including the introduction of log books should be introduced to assess any likely misuse of take home vehicles. Use of the tolerance levels established in the Data Fuel system could be utilised to perform the assessment of normal business use kilometres and actual kilometres.	1	,					
RS Controls in relation to receipting of fuel should be strengthened (e.g. by secondary review) to minimise the risk of incorrect receipting. More frequent fuel dips discussed in R4 above is also a control to minimise this risk.		,					

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Detailed Findings

Recommendations in Report	Status						
	Completed (reported by //gmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
R6 Implement a monthly calibration of fuel dispensed at the bowser and that recorded in Data Fuel.	1	,					
R7 investigate unused bio-diesel and assess for potential write-off/disposal if it is unlikely to be used. The fuel may need to be reanalysed to assess if it meets specification, if a decision to use or dispose of it is made.	1		/				
2.3 Controls over processing of Stores issue Requisitions (Non-Fuel) require improvement							
R8 Create a file/folder/sleeve where unrecorded SIR's are retained until they are recorded, to minimise the risk of SIR's being lost. When entered, each item issued should bear evidence of being entered into TechOne and signed by the Stores Officer. The delay in entering SIRs into TechOne should be minimised.	*	¥					
R9 As discussed in Section 2.1, the units of measure in TechOne should be modified to reflect the ordering and issuing units. Similarly, location of store items should be streamlined.		,					
R10 While full stocktakes are undertaken monthly, a regime of frequent random stocktakes, including there in higher usage stores items should be implemented to identify any irregularities or input errors.		,					
R11 Aspects raised above as matters for improvement should be addressed. For ease of reference, SIR numbers should be referenced in TechOne. Items that are non-stock should	1	/					

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Detailed Findings

Recommendations in Report			Status		
	Completed (reported by Nent)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken
be clearly identified in the SIR. Stores item codes and Project/Activity/Natural account numbers should be written on the SIR by the requisitioning department.					
2.4 Obsolete Stores are not effectively managed					
R12 Obsolete stock identification and disposal processes that include proof of disposal or destruction documents that are signed by an independent officer should be developed and implemented.	1	,			
R13 Evidence of management approval on disposal or destruction documents should be retained.	-	,			
2.5 Monitoring controls in relation to Masterfile modifications and Stock Adjustments are lacking					
R15 Work flow approval processes in TechOne should be investigated and implemented for inventory Masterfile changes and stock adjustments. Alternatively, retrospective approval from the Manager Works by review of audit trail reports should be implemented.	V	1			
2.6 Golf Course - Inventory Management controls are deficient in some areas					
R16 • The golf course should be set up as an inventory location in TechOne and its functionality should be utilised to manage inventory.	1	1			

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Detailed Findings

Recommendations in Report			Status		
	Completed (reported by Ment)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken
Ensure the Site Manager reviews and signs the stocktake spreadsheet before stock adjustments and journals are entered into the Finance system; Audit trail reports of adjustments made should be generated, reviewed and approved by the site Manager					
 As there is no linkage between the POS record of sales and the inventory spreadsheet, there should be a reconciliation between the POS reports and the sales recorded in the inventory spreadsheet. Inventory spreadsheets should be reviewed by the Site Manager along with report of sales from the POS system. 					
 Independent stocktakes should be commenced due to the current lack of separation of duties. 					
Update the current POS system to allow accurate reporting of sales.					
Ensure a log book is maintained, including Item/s hired, date and time, customer name, DL Number and signature to ensure Items are returned.					
2.7 Aquatic Centre- Inventory Management controls are deficient in some areas					
R17 It is recommended that Bayside:					
Ensure stocktake reports are reviewed by Finance and the Site Manager with evidence of signature;					
 Validate stock purchases and sales to the actuals and resolve differences with appropriate approval; 	1	1			
 Conduct periodic stocktaking with a formalised stocktake process to monitor stock movements; and 					

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Detailed Findings

Recommendations in Report	Status						
	Completed (reported by Ment)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
 Establish maximum and/or minimum stock levels on stock count sheets for purchasing purposes. 					***		
2.8 Tennis and Squash Courts- Inventory Management controls are deficient in some areas							
R18 It is recommended that Bayside: Conduct periodic stocktaking with a formalised stocktake process to monitor stock movements. Ensure stocktake reports are reviewed by Finance and the Site Manager with evidence of signature. Validate stock purchases and sales to the actuals and resolve differences with appropriate approval.	,	,					
Formally ensure a log book is maintained, including Item/s hired, date and time, customer name and signature.							

Progress update of the work completed and work to be done

The majority of the recommendations have been completed. There were two recommendations which were in progress (due). Recommendation 2.2 (R3.1) is being investigated by IT and will be completed by December 2019. Recommendation 2.2 (R7) will be investigated by the Coordinator and will be completed by December 2019.

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Detailed Findings

2.4 Internal Audit - Cash Handling (February 2019)

Background

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

Key Findings of the Internal Audit Report

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

- There is substantially effective compliance with the Cash Handling Policy and Procedure and substantially effective controls have been designed and are operationally effective.
 However, there are some aspects that need to be addressed to strengthen supervisory review, separation of duties, dual control and physical security;
- While separation of duties and dual controls have been effectively implemented at Customer Service Centres, these controls have not been effectively implemented at other service areas, mainly due to limited staff in those areas. Also, separation of duties and dual controls may not always be adhered to as was evident through our sample audit testing. These exposures may give rise to financial loss due to errors or misappropriation not being identified;
- 3. Physical security and physical controls have been implemented. However, some aspects, such as securing off Cashier's areas, access to Cashier's area and strong room, type and operation of Anti-Theft shutters and availability and placement of surveillance cameras and signage are deficient. This may lead to financial loss due to theft, Injury, death in the event of a robbery going wrong (insecure cashiering areas) and lack of protection from irate customers;
- 4. Money Laundering and Counterfeiting risk are not managed. While Councils are not a designated service, nor required to undertake (Know Your Customer (KYC) procedures under the AML/CTF Act, there is the risk that money may be laundered through Bayside. This risk has also been raised in the Cash Handling Process and Operational Procedures. However, our review and discussions established that there were no processes in place to identify, record and report any suspicious, significant or irregular cash payments by individuals (to enable Bayside identify any unusual patterns). Also, notes are not reviewed for authenticity by cashiers to ensure they are not counterfeit; and
- 5. Cash handling controls at Libraries, Aged Care and Disability Services, Botany Golf Course and the Aquatic Centre require improvement. A common theme that was identified was a lack of supervisory review and dual controls over cash handling and controls have not been implemented to ensure there is a reconciliation between "sales" made, cash collected, cash register reports and physical cash on hand.

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Detailed Findings

Recommendations in Report	Status						
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
2.1 Separation of Duties / Dual Control may not always be adhered to							
R1 The process for dual control/separation of duties over cash receipts, cash balancing, opening and closing procedures, cash reversals, cash counting, operation of the Main Safe, Key Safe and the Drop Safe, banking and reporting should be reinforced. The operation of dual control should be evidenced on all EOD documentation by dual signatures.	1	1					
R2 To ensure accountability, there should be appropriate signatures on the Cash Dissection sheets, as well as the Bank Deposit Summary report, not simply the names of the Cashiers/Supervisors.	1	1					
R3 A preventive control should be investigated to manage cash reversals over a threshold. For example, a system solution could require a second supervisory sign-on to be made to allow a reversal of a receipted transaction.	/	1					
R4 A register should be maintained to record a replacement cashier, drawer number, date and time on and off and signatures of both cashiers to maintain accountability for receipting transactions. Alternatively, a system solution should be investigated.		-					
R5 Whilst being operationally onerous, Bayside should investigate options to split access to the Main and Key Safes between staff and implement dual swipe access to the strongrooms.	1	1					
2.2 Physical Access and Physical Controls are deficient in some instances							

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Detailed Findings

Recommendations in Report	Status				Status			Status				
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken							
R6 "The physical environment where cash is stored and received needs to be professionally designed to maximise the physical controls over the cash"-Cash Handling Process and Operational Procedures - December 2018. Based on the above observations our recommendations are as follows:												
 Management should perform a risk/threat assessment of the access to and physical security of the cashiering areas to identify additional controls required to ensure safety and security of staff and assets. For example, improvements may be needed in the form of improved enclosures for the Cashiering areas, in particular at Eastgardens CSC which is open plan. Similarly, further limiting access to the strongroom may be considered. 												
 Consider upgrading anti-theft shutters to electronically operated ones or manual ones that automatically lock when brought down (without the use of a key to lock). 				,								
 There would be merit in installing surveillance cameras in the cashiering areas and strong rooms, particularly as there are large volumes of cash being transacted during rates payment periods. However, employee dissatisfaction and perceptions of lack of trust would be matters for consideration in implementing this recommendation. 												
Consider going cashless, if an open plan environment is essential - Eastgardens												
 Policy and procedure should be implemented over the removal of keys when CSC counters are unattended. Consider converting the tills to those that automatically open when performing a cash transaction. 												
 There may be merit in upgrading the Key Safe at Eastgardens to a PIN operated model, similar to that at Rockdale CSC. 												

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Detailed Findings

Recommendations in Report	Status							
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken			
R7 Signage should be improved and should alert customers to the presence of surveillance cameras, anti-theft screens, where no cash is held on site e.g. Child Care, Tennis Courts etc. Signage should request customers / cash couriers to remove helmets.	1	,						
R8 A policy and procedure should be developed and implemented in relation to the wearing, and use of personal duress alarms. Staff should be made aware of the use of personal duress alarms.	1		/					
R9 A key register should be developed to record location and ownership. The locks of the Rockdale Main Safe and Drop Down Box should be changed as spare keys have gone missing.	1	1						
2.3 Controls to minimise cash holdings								
R10 Appropriate policies and procedures should be developed and implemented to address the matters raised above.			/					
2.4 Money Laundering and Counterfeiting risks are not managed								
R11 Develop and implement a policy and procedure to identify, record and report suspicious, significant or irregular cash payments. Similarly, processes and training for identifying counterfeit notes should be developed and provided to staff.								
R12 Consider going cashless or disallowing cash transactions in excess of a threshold.		1						
2.5 Cash handling controls at Libraries require improvement								

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Detailed Findings

Recommendations in Report	Status						
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
R13 introduce an independent/surprise cash count at Branches to be performed by the Network Librarian. (R)	1	1					
R14 The daily and weekly report of the cash register / printer should be provided in the Branch Cash Bag and reviewed independently with the Weekly Library Cash Report/and Cash by the Network Librarian to confirm cash receipts during the week.(R)	~	~					
R15 Opening and closing cash procedures should be implemented at the Branches, including Eastgardens. Bayside should introduce a daily cash count at Branches to confirm Cash Receipts and the Float and this should be performed by 2 staff. The weekly cash count at Branches and cash despatch to the Network Librarian should be performed by 2 staff and the Library Cash Report should be signed by both. Additionally, dual controls should be introduced in the weekly consolidation of cash. (R ft EG)	1	1					
R16 instructions should be provided to staff emphasising the need to mandatorily provide customers with a receipt from the cash register. This will to some extent ensure that all receipts are accurately recorded in the cash register. (R & EG)	1	1					
R17 Training and guidance should be provided to staff in cash handling to minimise errors in recording of receipts (R & EG).	/	1					
R18 Informal processes to adjust excesses and shortages in cash during the weekly cash counts at branches should be assessed by management to ensure that cash is effectively reported and accounted for and causes of discrepancies are addressed.(R & EG)	1	1					

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Detailed Findings

Recommendations in Report	Status						
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
R19 Physical security over the cash till/cash box should be improved by ensuring keys to drawers and rooms are removed and retained in key safes that should be installed. (R)	/	/					
R20 A Cash Register should be installed at Mascot Branch. (R)	1	1					
R21 A daily review of waivers should be undertaken by the Coordinator - Customer Experience Libraries to ensure they have been approved by her. (EG)		1					
2.6 Cash handling controls in relation to Aged & Disability Services require improvement							
R22 Accounting Spreadsheet:							
 The spreadsheet formulae should be brought back to their original settings, including for on- account clients, to maintain the integrity of outstanding balances. Cells with formulae should be protected. 							
 The accounting spreadsheet should be kept current and updated on a daily basis before the next day's collections are written up. 							
 A review process should be implemented to ensure that the meals delivered and monies received are accurately entered into the accounting spreadsheet. 	1	1					
 The daily expected cash receipts as per the accounting spreadsheet should be reconciled with amounts actually received as per the Daily Payment Record. 							
 Reporting from the spreadsheet should be used to assist staff to complete the daily run sheet discussed in R21. 							
Training should be imparted on the use and importance of the accounting spreadsheet.							

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Detailed Findings

Recommendations in Report			Status			
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken	
R23 Processes over meal deliveries and cash collections should be improved:						
Each run sheet should be for the day and for example could include the following details:						
o Client name						
o COD or On Account indicator						
o Plan Delivery and number of meals (e.g. # of standard meals or premium meals etc.)						
o Expected 5 receipts (derived from the accounting spreadsheet - this would exclude on account clients except when due but include overdue of all other clients)						
o Actual Delivery and number of meals						
o Actual \$ collected Cash	1	1				
o Actual 5 collected Cheque						
o Receipt # (based on a numbered receipt book for each run) (it should be noted that there are some clients who pay on account so meals may be delivered without any payment received, however the accounting spreadsheet if retained accurately and on a timely basis will provide accurate information on balances outstanding)						
 Post-delivery, the run sheet should be utilised to reconcile the cash and cheques received with the receipt book stubs and the Daily Payment Record. 						
 The run sheet should also be used to update the Accounting Spreadsheet with the actual meals delivered and the funds collected. 						
R24 Cash courier's ID should be confirmed with Secure Cash's online verification portal.	/	1				

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Detailed Findings

Recommendations in Report	Status						
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
R25 Procedures should be documented for the EZE process.	1	1					
2.7 Cash handling controls at Botany Golf Course require improvement							
R26 • The daily and weekly report of the cash register should be provided to Finance and reviewed independently with the Daily Cash Report to confirm cash receipts during the week.							
 Introduce a daily cash count to confirm Cash Receipts and Float, and this should be performed were possible by 2 staff. 							
 All couriers must be identified with valid Secure ID and matched against an approved list, if access to a computer is limited, a detailed list must be available for staff to identify the courier. 							
Store the key in a locked safe or secured in back of house/staff area.	1	-					
 Encourage staff to provide customers with receipts to ensure all sales are entered into the system correctly. 							
Encourage staff to not accept any cash sales after close.							
 Implement formal training on cash handling for all staff members and create a register of all cash handling training that is regularly updated and monitored. 							
2.8 Cash handling controls at the Aquatic Centre require improvement							
R27 • Ensure all cash drawers are locked securely when not in use and are only unlocked when a sale is being made; or	,	,					

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Detailed Findings

Recommendations in Report		Status					
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
 Implement a POS system that is linked to the cash drawers that allows automatic locking of the cash tills; 							
 Ensure the customer service areas are closed and/or locked; 							
 The processes for dual control/separation of duties over cash receipts, cash balancing, opening and closing procedures, cash reversals, cash counting, operation of the Main Safe, Key Safe and the Drop Safe, banking and reporting should be reinforced. The operation of dual control should be evidenced on all EOD documentation by dual signatures. 							
 All couriers must be identified with valid Secure ID and matched against an approved list. If access to a computer is limited, a detailed list must be available for staff to identify the courier; 							
 If cameras are necessary for the site's security, ensure the cameras are installed and operating appropriately; 							
 Implement formal training on cash handling for all staff members and create a register of all cash handling training that is regularly updated and monitored. 							
 Ensure all excess cash is stored within the safe for the Manager to investigate any unresolved issues/balances. 							

Progress update of the work completed and work to be done

The majority of the recommendations have been completed. There were two recommendations that were in progress. Recommendation 2.2 (R8) - A policy will be developed to cover the use of personal duress alarms. This will be completed by February 2020. Recommendation 2.3 (R10) - The Cash Handling Policy had been developed and will be endorsed by the Executive by end of October 2019, Cash Management Guidelines to complement the Cash Handling Policy will be developed by March 2020.

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Detailed Findings

2.5 Health Check - Employees' Mandatory Licenses Processes (January 2019)

Background

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

Key Findings of the Internal Audit Report

Improvements have been made in relation to the implementation and quality of controls in order to manage operational and compliance risks, since the health check carried out in 2017/18. A significant number of controls have been implemented. However, there are some controls that are in the process of being implemented or not started. As recognised by Management, there continues to be room for further improvement. The internal audit report summarised, as below, the multiple improvements and controls that were still being implemented:

- 1. WHS Policy and some WHS procedures are in the process of being finalised;
- 2. Some processes to manage statutory training, licensing and ticketing require improvement to ensure that staff are not operating equipment or undertaking functions for which they do not have the appropriate license or ticket; and
- Processes are being developed for regular reporting and accurate analysis of management and statutory information in relation to Licencing, Ticketing, Qualification and Training (LTQT).

Implementation Status by Recommendation									
Recommendations in Report		Status							
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken				
2.1 WHS Policy and some WHS procedures are in the process of being finalised									

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Detailed Findings

Recommendations in Report	Status						
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
R1 All policies and procedures should be finalised.				1			
2.2 Processes to manage training, licensing and ticketing requires improvement							
R2 Access to the register should be restricted and updates to it managed to ensure that information remains accurate and valid. The register should be maintained such that it is the 'source of truth' for all statutory, WHS related Licencing, Ticketing and Training.		1					
R3 Update of new starter information into the LTQT register should be improved as follows: • A process needs to be developed to ensure that this register owned by HR, is updated with new starters on a timely basis. In the interim, until LTQT requirements are implemented in LWS/IChris, some recommended improvements may include:							
o Update of this register should form part of the New Starter Checklist. o When HR establish an employee in IChris, there should be a review by HR to ensure that the employee file/TRIM and the register have been updated.	1	1					
o Cells in the register should be highlighted for the required Licences/Tickets and training. Any gaps in licence details, expiry dates and training could then easily be identified							
R4 Based on the WHS Team Member's review, leavers are marked off in a blue font and are noted on the spreadsheet that they are no longer employed. However, this process could be made more robust by including it in a "leaver's checklist" to ensure the register is updated for all staff exiting the Council.	/	1					

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Detailed Findings

Recommendations in Report	Status					
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken	
R5 There should be a process whereby WHS are advised of any role or position changes to ensure that the register is updated for required LTQT requirements and that it has been completed.	1		/			

Progress update of the work completed and work to be done

The majority of the recommendations that are due have been implemented. Recommendation 2.2 (R5), implementation status is in progress. Currently, there is no information of staff transfer provided to WHS. The Senior Safety and Wellness Partner will follow up on the process for position changes to ensure that the information flows through to WHS. The process will be implemented in December 2019.

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Detailed Findings

2.6 Health Check - Payroll (January 2019)

Background

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

Key Findings of the Internal Audit Report

Some improvements have been made in relation to the implementation and quality of controls in order to manage operational and compliance risks, since the health check carried out in 2017/18. A significant number of controls have been implemented. However, there are some controls that are in the process of being implemented or not started. As recognised by Management, there continues to be room for further improvement. The internal audit report summarised as below the improvements and controls that are being implemented:

- The process over the independent review of Audit Trail Reports does not fully minimise the risk of unauthorised changes to payroll data. Timing of this review and the persons who perform this review requires some modification;
- 2. iChris does not prevent the creation of duplicate employees. Discussions with the Payroll Coordinator indicated that such errors have occurred in the past as employees may have been set up on the system before they commenced work. There is a risk that duplicate employees are established and paid more than once. Employees legitimately paid more than once should be reviewed as part of the EFT check to ensure that individuals are not paid under two payroll numbers;
- 3. Termination payments are not authorised by the employee's manager or a manager with financial delegation. There is a risk that termination payments are incorrect and unauthorised:
- 4. Management is aware of the inaccuracies in leave balances and leave liability accruals and have commissioned an internal review to rectify them;
- 5. While audit trail reports exist for changes to bank account details, there is no process in place to identify duplicate bank account details that could result in fraudulent activity;
- The reconciliation between the payroll system and TechOne is incomplete. There is a risk that all payroll transaction may not be correctly reflected in the accounting system;
- 7. There are some gaps in documenting payroll policies and procedures and these are in the process of being documented.

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Detailed Findings

Recommendations in Report	Status						
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
2.1 Independent review of Audit Trail Reports (Ref: CO1)							
Consideration be given to the following to ensure that the risk of unauthorised changes to employee payroll data is minimised:							
R1 As this internal audit was simply a health check, a more detailed review of access controls should be performed by internal Audit to evaluate whether the separation of duties have been adequately implemented.	1	/	/				
R2 The review of audit trail reports should be performed prior to the pay run being executed. This eview is currently being performed post-pay run.	1	1					
R3 Audit trail reports of modifications made by super users (including the set up or modification to iChris users) should be reviewed by the Manager POC.	1	1					
R4 There would be merit in evaluating whether individuals (e.g. Manager POC) who do not have any update access to employee Masterfile data should review any associated modifications.	~	1					
2.2 Duplicate employees (Ref: CO1)							
R5 in the interim, employees paid more than once should be reviewed as part of the EFT check to ensure that individuals are not paid under two payroll numbers.	1	1					

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Detailed Findings

Recommendations in Report	Status						
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
2.3 Termination Payments (Ref: CO1)							
R6 Termination payments should be reviewed and authorised by the employee's manager and/or a manager with appropriate financial delegation.	1	1					
2.4 Leave balances and accrued leave liability (Ref: CO1)							
R7 The lack of an electronic time and attendance system to ensure timely leave management may be one of the causes of this issue. The planned implementation of HR21, including a self-service module could alleviate this issue.							
R7a Also, while there could still be some delay in leave recording, confirmation of the above mentioned reports by the manager may reduce the impact on leave liability accrual.	1	/					
2.5 Lack of a process to identify duplicate bank account details (Ref: CO2)							
R8 A one off check should be performed to ensure any duplicate bank accounts are valid/legitimate. Subsequent checks should be performed say annually.	1	/					
2.6 The reconciliation between the payroll system and TechOne is incomplete (Ref:CO5)							
R9 The reconciliation between the TechOne and the iChris (PRD Report) be developed and implemented.	1	1					

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Detailed Findings

Progress update of the work completed and work to be done

The recommendations have been satisfactorily completed.

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Detailed Findings

2.7 Health Check - Procurement (January 2019)

Background

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

Key Findings of the Internal Audit Report

Some improvements have been made in relation to the implementation and quality of controls in order to manage operational and compliance risks, since the health check carried out in 2017/18. A significant number of controls have been implemented. However, there are some controls that are in the process of being implemented or not started. As recognised by Management, there continues to be room for further improvement. The internal audit report summarised as below the improvements and controls that are being implemented:

- 1. The procurement procedures needs to be endorsed by the Executive Committee for implementation and communicated to staff;
- 2. There is a lack of staff education to ensure that quantities of goods ordered are at the optimum price and at the relevant time;
- 3. Procurement is currently in the process of the cleaning the supplier database to monitor the use of unauthorised suppliers;
- 4. There is a lack of staff education on the receipting of the goods and services to ensure a consistent standard is maintained. The dispute resolution process need to be formalised and documented in the performance management plan;
- The volume of overseas purchases is low, however, the controls to ensure relevant import and foreign exchange regulations are identified and correctly addressed should be prioritise for review in the future;
- 6. There is no formal documented process to monitor performance of suppliers against all requirements and expectations; and
- The analysis of the procurement data for management reporting could be assisted through the capabilities in TechOne. This will be explored in the TechOne post Implementation review.

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Detailed Findings

Recommendations in Report			Status		
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken
t.1 Procurement Policy & Procedures					
R1 Follow up on the endorsement of the procurement procedures by the Executive Committee for implementation	1	1			
R2 Communicate the authorised procurement procedures to staff	1	1			
2.2 Appropriate order quantities					
R3 Develop a Learning & Development (L&D) educational program to educate staff to ensure that the quantities of goods ordered are at the optimum price and at the relevant time		1			
2.3 Monitoring use of unauthorised suppliers					
R4 Complete the supplier database cleansing process for the monitoring of the use of unauthorised suppliers	1	1			
2.4 Quality of goods and services					
RS include staff education on the receipting of goods and services in the LftD plan	1	1			

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Detailed Findings

Recommendations in Report	Status					
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken	
R6 Formalise the conflict resolution process and include conflict resolution in the Performance Management process		/				
2.5 Oversee of purchases						
R7 Prioritise this control activity for review		1				
2.6 Monitoring of suppliers' performance						
R8 Include the suppliers' performance monitoring process in the performance management plan				1		
2.7 Analysis for management reporting						
R9 Explore the features available in TechOne to assist in data analysis for reporting to management	/		/			

Progress update of the work completed and work to be done

The majority of the recommendations have been completed. There is one Recommendation 2.7 (R9) which was verified as "In progress", as there are further reports to be established. The system is able to generate "PO raised after invoice received" and "Annual spent report" (based on suppliers) to ensure Council is going to market where required. Procurement is in the process of developing the reports to the Executive, covering POs raised following an invoice, number of invoices sent by suppliers and number of POs raised against suppliers. This is to be completed by July 2020.

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Detailed Findings

2.8 Health Check - Accounts Payable (July 2019)

Background

The purpose of this internal audit was to perform a health check for Accounts Payable based on BC's health check process. This process included:

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.

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

Key Findings of the Internal Audit Report

The health check report identified several improvement opportunities as set out below:

- 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;
- 2. The approval of refunds should be in accordance with the Council's delegations of authority;
- 3. The procedures for AP processing, reviewing, monitoring and reconciliation should be improved;
- 4. All outstanding supplier invoices should be reviewed and recorded to ensure the accuracy of liabilities; and

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Detailed Findings

Key Findings of the Internal Audit Report

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.

Implementation Status by Recommendation							
Recommendations in Report	Status						
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken		
2.1 Segregation of Duties							
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.				/			
2.2 Accountability, authorisation and approval							
R2 The approval of refunds should be in accordance with the Council's delegations of authority.		1					
2.3 Processing, reviewing, monitoring and reconciliation							
R3 AP reconciliations for aging and clearing accounts should be performed monthly to ensure accuracy of the financial information.		1					
R4 Management should consult with the TechOne vendor to explore options of how to include all suppliers' information on the payment advice.			/				

Bayside Council- Follow Up Review of Past Internal Audit Recommendations etc. - October 2019

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Detailed Findings

Recommendations in Report	Status					
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken	
R5 Payments should be made in accordance with Council's payment terms.		1				
R6 POs should be raised prior to receiving the goods/services 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.		/				
R7 Suppliers information should be reviewed periodically (i.e. quarterly) in the system to ensure its accuracy.	1	1				
R8 The review of total payments stated in the bank confirmations and EFT reports should be documented.		1				
2.4 Accounts Payable cut-off and classification						
R9 All outstanding supplier invoices should be reviewed and recorded monthly to ensure the accuracy of liabilities.	1	1				
2.5 Reporting and Communications						
R10 Key Performance Indicators should be Identified, such as supplier's invoices processing time and payment, accuracy, etc. Performance reviews should be based on the Identified KPIs.				~		

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Detailed Findings

Progress update of the work completed and work to be done

The majority of the recommendations have been satisfactorily completed. Recommendation 2.3 (R4) is in progress, some supplier details (address) were missing from the payment advice due to the data imported from Rockdale's old system (E1). From the report generated by the TechOne consultant, Procurement will update the supplier's information into the relevant TechOne field. This will be completed by December 2019.

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Detailed Findings

2.9 Continuous Risk Improvement Program (March 2019)

Background

This audit report details the outcomes of the Continuous Risk Improvement Program (CRIP) audit of Bayside Council conducted by InConsult on behalf of CivicRisk Mutual. The audit was conducted in March 2019.

Key Findings of the Internal Audit Report

The result of the audit indicated that considerable progress has been made in developing and implementing Council's ERM framework. There were four recommendations in the audit report and 13 opportunities for improvement. Details of the recommendations and opportunities for improvement are included in the table below.

Implementation Status by Recommendation						
Recommendations in Report			Status			
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken	
1.1 Mandate and Commitment (Risk Management Policy)						
OP1.1 Continue to review and update the Risk Management Policy over time.				/		
1.2 Responsibilities and Accountabilities for Managing Risk						
OP2.1 Ensure that work plans implemented for 2019/20 include requirements for managers as risk owners to regularly review their area's risks.	1	/				
1.3 Risk Governance and Reporting						

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Detailed Findings

Recommendations in Report	Status				
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken
OP3.1 Review the constitution of the Risk and Audit Committee to transition to an Audit Risk and Improvement Committee as set out in unproclaimed sections of the Local Government Act.				/	
1.4 Establishing Risk Appetite					
OP4.1 Continue to review and evolve the risk appetite statement over time.				1	
1.5 Integration of Risk Management into Business and Strategic Planning Processes					
OP5.1 Incorporate risk management into business planning and reporting processes.				✓	
2.1 Risk Management Strategy/Plan					
6.1 Review the Risk Management work plan and update to incorporate new risk management initiatives.	/	1			
2.2 Risk Assessment Methodology and Process					
OP7.1 Ensure that the risk management methodology is regularly communicated to staff.				1	
2.3 Strategic Risk Assessment					
8.1 Review the risks in the Strategic Risk Register and delete those that are no longer a strategic risk for Council.		1			

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Detailed Findings

Recommendations in Report	Status					
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken	
2.4 Operational Risk Assessment						
OP9.1 Review the Operational Risk Register and add controls and risk treatment plans where required.		1				
OP9.2 Implement a program to ensure operational risks are reviewed on a regular basis.		1				
2.6 Risk Management Training Program						
OP10.1 Develop an enterprise risk management training program which is regularly presented to all relevant staff.				~		
2.7 Risk and Control Assurance and Review						
OP11.1 Provide more reports on broad risk management issues to the Risk and Audit Committee.		1				
2.8 Business Continuity Planning						
OP12.1 Finalise business continuity plans for the remaining key Council sites.		1				
2.9 Use of Risk Management Technology still in its infancy stage						
R1.1 Fully Implement the PULSE risk	1	1				

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Detailed Findings

Recommendations in Report	Status					
	Completed (reported by Mgmt)	Completed (verified by Internal Audit)	In progress (due)	Not due	No Action Taken	
3.9 Management of Risks Arising from the Operation of a Motor Vehicle Fleet						
R2.1 Finalise the external audit of the Council fleet and ensure the Fleet Register is brought up to date and kept accurate.		1				
R2.2 Utilise the Technology 1 system capability for scheduling vehicle maintenance.				1		
3.11 Management of the Risk of Fraud and Corruption that might lead to Fidelity Guarantee or CRO Claims						
R3.1 Develop a Fraud and Corruption Prevention Plan following the BDO fraud and corruption risk assessment.	1	/				

Progress update of the work completed and work to be done

All of the recommendations and opportunities for improvement that are due have been satisfactorily completed.

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28/11/2019

Item No 5.6

Subject ICAC Operation Ricco - Verification of Implementation of

Outstanding Recommendations

Report by Natasha Balderston, Internal Auditor

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.
- That the Risk & Audit Committee notes the audit recommendations were independently reviewed by an audit consultant from BDO and the report has been attached for review.
- That the Risk & Audit Committee notes that Council's progress update on the implementation of ICAC's Operation Ricco's recommendations will be submitted to ICAC in December 2019 with all actions finalised.

Background

Council has continued to implement Council's Action Plan (December 2017) in response to ICAC's investigation into the former City of Botany Bay Council and the ICAC Operation Ricco Report finalised in July 2017. Progress reports have continued to be reported quarterly to the Risk & Audit Committee.

Bayside Council was required to provide a progress report to ICAC on the implementation of the recommendations in December 2018, at which time four (4) Actions remained not fully implemented. ICAC reviewed Council's responses and requested a further update be submitted in December 2019.

Progress Report - November 2019

The following table provides a progress update on the one remaining actions that was outstanding as of the last update (August 2019). For this update, the final action is considered completed with all actions now finalised.

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Table: ICAC Actions - November 2019 Update

Recommendation > Bayside Council Action	Responsible Officer	Comment					
R2: That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.							
R2.1: That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.							
Post amalgamation policy alignment and harmonisation.	Fausto Sut	This action is considered completed. As part of the Policy Harmonisation Project all financial management policies have been have been reviewed and harmonised.					

BDO was engaged to conduct an independent verification of the progress report on the Operation Ricco Action Plan. The first review was conducted in November 2018 ahead of Council's update to ICAC in December 2018. At the time of that report Council reported four items as "Partially Implemented" and has since finalised these actions and have reported back to the Risk and Audit Committee quarterly. BDO's November review was completed prior to Council finalising some actions, and at the time of their review in November they had noted seventeen actions as "Ongoing". The difference between the December Status and the November 2018 status was due to a number of actions being finalised between the BDO review and Council's report in December 2018.

This final report includes BDO's review (Attachment 1) of those actions assessed by Management as "Completed' and "Implemented" in 2019 for the final report to ICAC. BDO has reviewed the progress status and confirmed all actions assessed as "Ongoing" as of December 2018 have now been "Implemented" as of November 2019. Attachment 1 provides the details of these actions and BDO's review. BDO will provide a formal report to Management which will be included in Council's December report back to ICAC.

Attachments

Bayside - Follow Up Review of ICAC Recommendations - November 2019 - Final U

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BAYSIDE COUNCIL (BC)

Follow Up Review of ICAC Recommendations

November 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 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 August 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.

Follow Up Review of ICAC Recommendations

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Executive summary

1 Executive summary

1.1 Background

This internal audit was undertaken as part of Bayside Council's (BC) Approved Internal Audit Plan for the year ending 30 June 2020.

The objectives and scope of the internal audit were documented in a Terms of Reference document dated August 2019.

1.2 Purpose

The purpose of this internal audit was to review the progress of implementation of:

- Internal audit recommendations;
- ICAC recommendations;
- The recommendation from Project 2020 (AG Recommendations);
- Health check follow up reviews; and
- Continuous Risk Improvement Program (CRIP).

1.3 Scope

The scope of the internal audit is limited to internal audit recommendations (Parks & Gardens, Leave, Inventory Management and Cash Handling), health check follow up reviews (Employees Mandatory Licenses Processes, Payroll, Procurement and Accounts Payable), the Continuous Risk improvement Program, ICAC and Project 2020 recommendations.

This report will cover the progress update for the recommendations from ICAC. The status of the other audit recommendations were reported separately in the "Follow Up Review of Past Audit Recommendations"

Report dated October 2019 and the yet to be issued report for the "Follow Up of Recommendations for Project 2020".

This follow up internal audit <u>excludes</u> the IT Interim Audit 2017-18

Management Letter recommendations. These will be included in our Report on Project 2020 Report.

1.4 Approach

The following approach was undertaken for the internal audit:

- We obtained the relevant recommendations and reviewed the progress to date;
- Interviewed BC personnel responsible for implementation of actions;
 and
- Examined relevant documentation and/or physically sighted completed implementations to determine actions completed or inprogress.

1.5 Summary of key findings

This internal audit assessed the progress in the implementation of recommendations made in the ICAC audit.

Overall, the status of the recommendations was assessed as Satisfactory, with all of the recommendations having been completed. The following table shows a summary of the status ICAC recommendations:

Table A: Summary Status of Recommendations

	No. of Recommendations
Recommendations previously verified as "Completed" or "Closed" (recommendations that will not be implemented due to their cost effectiveness or alternative controls in place).	9

Follow Up Review of ICAC Recommendations

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audit.

No. of Recommendations Recommendations verified as "Completed" in this internal 2

Total number of recommendations

1

The progress status of outstanding recommendations were assessed as Satisfactory. All recommendations have been satisfactorily addressed. Internal Audit previously performed a follow up verification of the recommendations in November 2018. The recommendations that were not assessed as "Completed" were followed up in this internal audit. The following table shows the status of the recommendations:

Table B: ICAC Recommendations

No	ICAC Report	Internal Audit	Internal Audit
	Recommendations	Assessment @ Nov 2018	Assessment @ Nov 2019
1	That Bayside Council reviews its financial processes and makes any necessary changes to ensure that: • its vendor master file is subject to appropriate segregation and review-based controls;	Complete. The role for vendor master file maintenance is performed by Procurement and segregated from Finance. Vendor master file maintenance are reviewed by the Procurement Specialist or the Procurement Manager	N/A. Assessed as completed in November 2018.

Executive summary

No		C Report ommendations	Internal Audit Assessment @ Nov 2018	Internal Audit Assessment @ Nov 2019
2	•	sufficient segregations exist in its invoice payment processes (including the introduction of a three way match arrangement) to manage the risks associated with fraudulent payments;	Complete. Workflow is automated within TechOne to ensure appropriate approval delegation and three- way match for payment.	N/A. Assessed as completed in November 2018.
3	•	operational managers have visibility over, and involvement in, setting budgets and monitoring expenditure against these budgets;	Complete. Operational Managers were involved in budget setting and monitoring. The use of TechOne Enterprise Budget Module provides visibility to the Operational Managers.	N/A. Assessed as completed in November 2018.
4	•	adequate segregations exist across different financial processes.	Partially Complete. The vendor master file maintenance had been segregated from Account Payables. Various other financial processes are being finalised, which will be completed by 30 June 2019.	Completed. The various financial processes have been finatised and approved by the Executive.

Follow Up Review of ICAC Recommendations

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Executive summary

No	ICAC Report Recommendations	Internal Audit Assessment @ Nov 2018	Internal Audit Assessment @ Nov 2019	No	ICAC Report Recommendations	Internal Audit Assessment @ Nov 2018	Internal Audit Assessment @ Nov 2019
5	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption (including those related to procurement, invoice payment, fleet management and charge-card	Partially Complete. A review of the high risk areas was performed. The implementation of the recommendations from the review is ongoing. They are expected to be	Completed. Policies and procedures relating to processes vulnerable to corruption were identified, harmonised and published.		body when evaluating the performance of the general manager.	the effectiveness of the implementation of internal and external audit recommendations. This will be presented to the GM's Performance Review Panel on 21 Jan 2019 for approval.	
	usage] and implements any recommendations arising from the review	completed by 30 June 2019.		8	That Bayside Council undertakes a risk assessment (including an assessment of	Complete. A risk assessment was performed and the risk	N/A. Assessed as completed in November 2018.
6	That Bayside Council reviews the position descriptions of key operational and financial roles to ensure that they include the required skill sets and qualifications	Complete. The position description of key operational and financial roles had been reviewed to include the required skill sets and	N/A. Assessed as completed in November 2018.		inform its internal audit plan. review of the a management p updating of the	register updated. A review of the risk management profile and updating of the Annual Internal Audit Plan was conducted.	
		qualifications. BC has also implemented recruitment and maintenance of Skills and Qualification management.		9	That Bayside Council ensures that its internal audit function operates independently from management by reporting functionally to its audit	Complete. The Risk & Audit Committee (RAC) Charter includes role requirements for the internal audit function.	N/A. Assessed as completed in November 2018.
7	That Bayside Council ensures that the implementation of both internal and external audit recommendations is considered by the elected	Complete. Updates to the General Manager's (GM) performance contract were made to includes evaluation of	N/A. Assessed as completed in November 2018.	10	committee. That Bayside Council ensures it has a robust system in place to monitor and report on the implementation of	Complete. A Risk & Audit Committee was established independent of management to which	N/A. Assessed as completed in November 2018.

Follow Up Review of ICAC Recommendations

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ICAC Report Internal Audit Internal Audit Assessment @ Nov 2018 Assessment @ Nov 2019 internal audit the Internal Auditor recommendations that is reports. The implementation of independent from internal audit management. recommendations is a standing agenda item for the RAC. 11 That the General Manager of Complete. A Consultant N/A. Assessed as Bayside Council conducts a from the IIA was engage completed in November review of the audit to conduct an 2018. committee's effectiveness. independent review of the RAC. A final report and the adequacy of its arrangements to ensure that was issued on 5 it fulfils the responsibilities of December 2018. its charter and provides sufficient assistance to Bayside Council's governing body on governance processes.

Bayside Council developed a total of 79 actions to address the ICAC recommendations. Internal Audit reviewed all 79 actions in November 2018 and followed up on the outstanding actions in this internal audit. All actions

Executive summary

were satisfactorily addressed. The following table summarises the progress and the verification of the actions:

Table C: ICAC Actions Summary

	Number of Actions
Actions verified as "Completed" in November 2018	54
Actions verified as "Completed" in November 2019. (For detailed results of the review, refer to Appendix A).	25
Total	79

1.6 Acknowledgement

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

1.7 Report clearance

The contents of this report have been discussed with Natasha Balderston, Internal Auditor and Fausto Sut, Manager-Governance and Risk.

Yours sincerely

Sean Pascoe

Partner, BDO Risk Advisory

Follow Up Review of ICAC Recommendations

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Detailed Findings

2 Detailed findings

2.1 ICAC Audit Report

Background

Internal Audit performed a follow up internal audit of the implementation of the ICAC recommendations in November 2018. A total of two recommendations and 25 actions were assessed as "Partially Completed" or "In Progress". These recommendations and actions were followed up in this internal audit, as set out below.

	to the legend (belo the table headings)	
PC		
	cc	IP
*		
/		
	1	
	1	

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Detailed Findings

ecommendations in Report		Status [Note: Refer to the legend (below) for of the table headings]		
	PC	СС	IP	
R5 That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption (including those related to procurement, invoice payment, fleet management and charge-card usage) and implements any recommendations arising from the review				
R6 That Bayside Council reviews the position descriptions of key operational and financial roles to ensure that they include the required skill sets and qualifications	1			
R7 That Bayside Council ensures that the implementation of both internal and external audit recommendations is considered by the elected body when evaluating the performance of the general manager.	1			
R8 That Bayside Council undertakes a risk assessment (including an assessment of fraud and corruption risks) to inform its internal audit plan.	/			
R9 That Bayside Council ensures that its internal audit function operates independently from management by reporting functionally to its audit committee.				
R10 That Bayside Council ensures it has a robust system in place to monitor and report on the implementation of internal audit recommendations that is independent from management.	/			
R11 That the General Manager of Bayside Council conducts a review of the audit committee's effectiveness and the adequacy of its arrangements to ensure that it fulfils the responsibilities of its charter and provides sufficient assistance to Bayside Council's governing body on governance processes.	~			
egend:				

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Detailed Findings

PC - Recommendations previously verified as "Completed" or "Closed" (recommendations that will not be implemented due to their cost effectiveness or alternative controls in place).

- CC Recommendations verified as "Completed" in this internal audit.
- IP Recommendations verified as "In Progress" in this internal audit.

Progress update of the work completed and work to be done

All recommendations are satisfactorily assessed as "Completed". Internal Audit verification indicated that adequate actions were taken to satisfactorily complete the two recommendations (R4 & R5).

Internal Audit also verified the outstanding actions that support the recommendations. All actions were satisfactorily 'Completed'. Refer to Appendix A for details,

Follow Up Review of ICAC Recommendations

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Appendix A

Appendix A - ICAC

No	Recommendation	Actions	ACTION PLAN DETAIL	Responsible Manager	Audit Status @ Nov 19	Audit Verification @ Nov 2019
1.1.1	That Bayside Council reviews its financial processes and makes any necessary changes to ensure that:	Mapping of all key business processes (procurement, credit cards, accounts payable, cash management, receipting and inventory) and related controls. Establishment of clear documentation and continuing, ongoing and cyclical program of education for staff, contractors and suppliers.	A.1.1.1.1	Director City Performance	Completed	Business processes had been developed, approved by the Executives and implemented in December 2018.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Controls over change to bank details were implemented requiring a secondary sign-off. An audit report of bank file changes is reviewed on a monthly basis.	A.1.1.2.3	Manager Procurement	Completed	A form had been developed for bank detail changes. The form has been verified by Internal Audit.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	One of the strategic imperatives of the newly formed Procurement team is to undertake category reviews to rationalise the suppliers base and purge inactive suppliers and suppliers who do not meet the minimum criteria of dealing with Council.	A.1.1.2.14	Manager Procurement	Completed	Purge of suppliers are done annually. Suppliers will become inactive if not used within a year. Every supplier in the system has a category code assigned.
1.1.2	The vendor master file is subject to appropriate segregation and review-based controls	Expand the use of TechOne Contract Management module to support better establish and monitor terms and conditions and procurement compliance.	A.1.1.2.15	Manager Procurement	Closed	Council has purchase license for the Contract Module in TechOne and will make a decision to use Contract module within TechOne or an external system for management of Council's Contract.
1.1.4	Operational managers have visibility over, and involvement in, setting budgets and monitoring expenditure against these budgets	Develop and implement an organisational wide business process for Monthly Reviews of Budget and Performance, including training and roll-out.	A.1.1.4.9	Manager Finance	Completed	The Financial Reporting process and procedures were developed and approved by the Executive, and training has been provided.
1.1.5	Adequate segregations exist across different financial processes.	Develop Financial Operating Model for the Organisation - with full suite of processes, internal controls embedded, supported by systems and training of Finance staff and Users.	A.1.1.4.12	Director City Performance	Completed	Financial process and procedures have been developed and approved by the Executive. A total of 18 business processes were developed.
1.1.5	Adequate segregations exist across different financial processes.	Risk review of all processes to identify required segregation of duties to be implemented in the business process reviews.	A.1.1.4.13	Manager Governance and Risk	Completed	Business process was approved by the Executive in December 2018 and implemented. These processes have a risk and controls identified around segregation of duties. There were a total of 18 processes.
1.1.5	Adequate segregations exist across different financial processes.	Embed changes in segregation of duties into Position Description - Work Plans.	A.1.1.4.14	Manager Finance	Completed	Segregation of duties have been embedded in the control activities in the business processes documentation.
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Interim Finance measures in 2016/17 have included: Implementation of a Delegations Register including financial delegations and specimen signatures; detailed secondary review by senior finance staff of all payments; changes to Bank Authorities and implementation of a Signatory A (Finance) & Signatory B (Non-Finance) for EFT and cheque payments.	A.2.1.1	Director City Performance	Completed	Based on our discussion with the Accounts Payable Coordinator, the signatories A & B have been implemented. The non-Finance staff include the Manager Governance & Risk and the Coordinator Governance.
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Monitoring of Charge Cards for Bunnings and Fuel Cards closely monitored by Procurement.	A.2.1.3	Manager Procurement	Closed	Bunnings charge cards are issued by Procurement. Bunnings charge cards transactions are approved by the respective Managers (physical invoice). AP codes the invoice to the respective cost centres. Fuel cards are monitored by the Fleet Coordinator and any abnormality is reported to the Manager.

Follow Up Review of ICAC Recommendations

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Appendix A

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No	Recommendation	Actions	ACTION PLAN DETAIL	Responsible Manager	Audit Status @ Nov 19	Audit Verification @ Nov 2019
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Improvements to reconciliations - for bank and balance sheet.	A.2.1.4	Manager Finance	Completed	Reconciliations for bank and balance sheet items are being performed and monthly reconciliation update meetings are held with the Finance Manager and the Coordinator.
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Post amalgamation policy alignment and harmonisation	A.2.1.6	Manager Governance and Risk	Completed	Council has identified 22 potential policies and procedures, relating to processes vulnerable to corruption. All of these identified policies and procedures have been harmonised and/or adopted afresh, and published. The Coordinator maintains a spreadsheet to monitor the status of the policies for the harmonisation process.
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Removal of systems access for individuals whose role has changed in the organisation.	A.2.1.8	Director City Performance	Completed	Service Desk tickets will be raised by the Manager to remove access for the user. Also, IT generates users access list on an annual basis for TechOne, Pathway, AD and Payroll system for the respective Managers to verify the staff's user access. This list is returned to IT and any changes is updated in the system.
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Mapping of all key business processes (procurement, credit cards, accounts payable, cash management, receipting and inventory) and related controls. Establishment of clear documentation and continuing, ongoing and cyclical program of education for staff, contractors and suppliers.	A.2.1.9	Director City Performance	Completed	Business processes had been developed, approved by the Executive and implemented in December 2018.
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Review of Policy on Purchase and Credit Cards, and mapping of business and systems processes.	A.2.1.10	Manager Procurement	Completed	Completed. The Purchase and Credit Cards Policy is finalised and adopted by Council. Council provided evidence that the Purchase Card Policy was adopted on 21 December 2018.
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Ongoing improvement of reconciliation processes by transitioning of Authority systems to Tec hone (single system and set of bank accounts for Bayside Council). Full reconciliation performed across the balance sheet on a monthly basis.	A.2.1.11	Manager Finance	Completed	The transitioning of Authority system to TechOne was completed in April 2019. There is only one system in use (TechOne).
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Policy framework for new Bayside and prioritisation of policy development including the development of procedures and processes to reinforce work practices and embed controls.	A.2.1.13	Manager Governance and Risk	Completed	Council has identified 22 potential policies and procedures relating to processes vulnerable to corruption. All of these identified policies and procedures have been harmonised and/or adopted afresh, and published. The Coordinator maintains a spreadsheet to monitor the status of the policies for the harmonisation process.
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Implement a more robust Business Governance Model including strengthening the policy and process ownership model, systems, change protocols and authorities.	A.2.1.14	Manager Governance and Risk	Completed	Council developed and adopted a Policy Management Procedure to provide a consistent and more robust Business Governance Model. All policies and key business processes and controls are being managed in line with this policy.
2.1	That Bayside Council undertakes a review of the control frameworks governing processes that are vulnerable to corruption and implements any recommendations arising from the review.	Extensive review of all user system profiles and access. Alignment of systems access to reflect responsibility, segregation of duty and delegated authority.	A.2.1.15	Manager Finance	Completed	Completed. User system profiles and access are regularly reviewed. Business processes are being finalised with system access to reflect segregation of duties and delegated authority. The delegations in TechOne are reviewed by the Governance & Team to ensure compliance.
3.1	That Bayside Council reviews the position descriptions of key operational and financial roles to ensure that they include the required skill sets and qualifications.	Conduct individual Capability Assessments and implement performance development plans. Address critical skills / capability issues on a team and individual level.	A.3.1.6	Manager Finance	Completed	Council has adopted the public sector capability framework. The position descriptions reflect these capabilities. Performance management framework was also implemented, including performance review against position descriptions.

Follow Up Review of ICAC Recommendations

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



Appendix A

No	Recommendation	Actions	ACTION PLAN DETAIL	Responsible Manager	Audit Status @ Nov 19	Audit Verification @ Nov 2019
4.1	That Bayside Council ensures that the implementation of both internal and external audit recommendations is considered by the elected body when evaluating the performance of the general manager.	General Manager performance contract to include KPI's and evaluation of the effectiveness of the implementation of internal and external audit recommendations.	A.4.1.1	General Manager	Completed	Completed. The GM's performance contract included KPI's relating to effectiveness of implementation of internal and external audit recommendations. This was approved by the General Manager's Performance Review Panel on 21 January 2019.
4.1	That Bayside Council ensures that the implementation of both internal and external audit recommendations is considered by the elected body when evaluating the performance of the general manager.	As part of the General Manager's Performance Review, the Internal & External Audit recommendations (including the Management Representation Letter) will be tabled with the Council's review committee.	A.4.1.2	General Manager	Completed	Completed. GM performance review process was adopted at the November 2018 Council meeting. The first review occurred on 21 January 2019. The GM tabled her report on the Mgmt. letters. Note: The General Manager's Performance Review includes a report on implementation of audit recommendations, copy of audit management letters, and a report on the effectiveness of the Risk and Audit Committee based on an independent review.
7.1	That Bayside Council ensures it has a robust system in place to monitor and report on the implementation of internal audit recommendations that is independent from management.	General Manager to review the independent assessment of the effectiveness of the Risk and Audit Committee, the Chair person's six monthly report, and to address deficiencies, and to report on the performance.	A.7.1.5	General Manager	Completed	Completed. Final report was provided by IIA on 5 December 2018,
8.1	That the General Manager of Bayside Council conducts a review of the audit committee's effectiveness and the adequacy of its arrangements to ensure that it fulfils the responsibilities of its charter and provides sufficient assistance to Bayside Council's governing body on governance processes.	General Manager to review the independent assessment of the effectiveness of the Risk and Audit Committee against KPIs and the Chair person will provide six monthly report. This will report on the performance and address deficiencies.	A.8.1.2	General Manager	Completed	Completed. Final report was provided by IIA on 5 December 2018,
8.1	That the General Manager of Bayside Council conducts a review of the audit committee's effectiveness and the adequacy of its arrangements to ensure that it fulfils the responsibilities of its charter and provides sufficient assistance to Bayside Council's governing body on governance processes.	External Independent Review of the Risk and Audit Committee to assess the effectiveness of the committee.	A.8.1.3	General Manager	Completed	Completed. Final report was provided by IIA on 5 December 2018,

Follow Up Review of ICAC Recommendations

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Item No 5.7

Subject Internal Audit Program - Progress & Review

Report by Natasha Balderston, Internal Auditor

File SF19/211

Summary

The purpose of this report is to provide a revised 2019/20 audit program based on a review of the program in light of indicative cost estimates for the remaining audits and a replacement audit for the Asset Management audit which has been deferred. In essence, the program is reduced by a net of three audits and the audit of Certifications is included in lieu of Asset Management. These changes will meet the updated approved internal audit budget.

Officer Recommendation

- 1 That the Risk & Audit Committee receives and notes the report.
- That the Risk & Audit Committee endorses the updated audit program, including the replacement of the Asset Management audit with the Certifications audit.

Background

At the Risk & Audit Committee on 24 October 2019, Internal Audit advised the Committee that an audit service panel had been formed consisting of three providers; Grant Thornton Australia Ltd, BDO East Coast Practice and Centium Pty Ltd.

As part of the tender submission, tenderers were asked to provide indicative costing for each audit in the 2019/20 audit program and the proposed audit personnel to complete the audit. The purpose of this information was to enable the evaluation panel to assess value for money. The three successful tenderers, Grant Thornton Australia Ltd, BDO East Coast Practice and Centium Pty Ltd, provided staff of a similar seniority to complete the audits and indicatively costed the audits between \$250,000 and \$285,000 (approximately). The current budget is \$180,000.

The Asset Management audit was deferred from 2018/19 and included in the 2019/20 audit plan as an additional audit. A decision was made in an Executive Committee meeting on 9 May 2019 to approve the deferral of the Asset Management Audit (from Q4 2019 to Q2 2020), with funding for this audit to be allocated from the Strategic Priorities Reserve. Since then, a decision was made at the Executive Committee on 15 August 2019 to further defer the Asset Management audit with an alternative internal audit from the current internal audit plan to replace it.

The Executive Committee also expressed some concern about the impact the number of audits and recommendations were having on the organisation given the workload of the Managers. Prior to making a decision, the Executive Committee requested for Internal Audit to verify the implementation of audit recommendations and to be provided with a report on the status of these recommendations. This review was completed and a separate report has

been tabled to discuss the findings and recommendations. However, the table below provides a snapshot of the results from the verification:

Re	port Name	TR	C(M)	C(IA)	IP	ND	NSA
1.	Internal Audit - Parks & Gardens	12	12	6	5	0	1
2.	Internal Audit - Leave	2	2	2	-	-	-
3.	Internal Audit - Inventory Management	19	17	17	2	-	-
4.	Internal Audit - Cash Handling	27	21	23	2	2	-
5.	Health Check - Employee Mandatory Licenses Processes	5	3	3	1	1	-
6.	Health Check - Payroll	10	9	9	-	1	-
7.	Health Check - Procurement	9	5	7	1	1	-
8.	Health Check - Accounts Payable	10	2	7	1	2	-
9.	Continuous Risk Improvement Program	17	4	10	-	7	-
Tot	al	111	75	84	12	14	1

Legend

TR Total recommendations

C(M) Completed as reported by Management in Pulse

C(IA) Completed and verified by Internal Audit

IP Implementation of the recommendations is in progress but over due

ND The recommendation is not due for implementation

NSADue but no substantial action has been taken

The results show that the organisation is primarily meeting the recommendation due dates and in some instances, implementing their recommendations in advance of their due dates. Excluding the legacy audit recommendations, the implementation rate was 92%. Internal Audit believes that this high rate of implementation is due to Managers providing clear action plans in their management comments and realistic timeframes.

Internal Audit believes the Certification audit is best to replace the Asset Management audit because:

- Neither of these business areas have been audited for Bayside Council and were identified as medium risks in the approved three year audit plan.
- Given the issues around defects in buildings like Mascot Towers and the Opal Building, and other issues around building cladding, both local government compliance and certification functions have been under scrutiny. These issues are also on the Civic Risk Mutual agenda. The audits would provide comfort to Council and other mutual members that Bayside processes have been reviewed and any opportunities for improvement been identified.

The Executive has supported Internal Audit's recommendations to replace the Asset Management audit with a Certifications audit.

Audit Program

An analysis of the overall internal audit program was undertaken and options put forward to the Executive Committee to address the issue of the costing of the current audit program and the adopted budget. Internal Audit's preferred option in working with current resources and providing a robust audit program, was the removal of the following three audits:

1. Corporate Risk Management

Council has been subject to an independent Continuous Risk Improvement Program (CRIP) Audit through CivicRisk Mutual. In addition, a recent Fraud & Corruption audit has been undertaken. In addition, a new Risk Coordinator has recently commenced Council with a focus to implementing the recommendations and improvements identified by the CRIP audit and relevant recommendations from the Fraud & Corruption audit.

It would seem beneficial to give the Risk Coordinator time to progress the improvements identified prior to further review. Internal Audit would consider this area for inclusion in future audit programs.

2. Fraud and Corruption prevention management

As part of the audit plan for FY2018/19, Council's current operating environment was benchmarked against the NSW Audit Office's Fraud and Control Toolkit. The review resulted in a three year Fraud & Corruption Prevention Strategy being developed and approved in July 2019. A new Fraud & Corruption Policy was also adopted. Given the review already undertaken and the improvements identified, it would also seem beneficial to allow for the Manager Governance & Risk to implement the Strategy and the recommendations from the review and for Internal Audit to conduct follow ups to ensure that the implementation is occurring in a timely manner.

3. Change Management

The Organisational Development and Change team has recently been formed to assist the organisation with managing its development and manoeuvring through changes. The team is still in its infancy. As with the Corporate Risk Management audit, it would be beneficial to give the team some time to develop its operating framework, processes, procedures and controls before a review by Internal Audit. At a later stage, Internal Audit would add value by identifying potential gaps and providing recommendations on how to mature the change process.

The Executive Committee supported the preferred option and made some changes to the timing of some audits.

Internal Audit Plan - Progress

The revised 2019/20 internal audit program is set out below including progress to date:

No.	Audits	Status	F/Y Timeframe
1a	Follow up reviews to determine status of implementation of ICAC and AG's recommendations and confirm the progress made in implementations.	In progress Q2	Q2, Q4
1b	Follow up of the status of health checks conducted in 2017/18. These include: • External contractor management • Procurement	Completed for Q2	Q2, Q4

No.	Audits	Status	F/Y Timeframe
	PayrollEmployees' licenses, tickets, training and qualifications.		
1c	Follow up review of the implementation of previous years' internal and external audit recommendations (e.g. CRIP audit)	Completed for Q2	Q2, Q4
2	Health Check – review of Council's childcare centres and family day care	Deferred Q2	Q4
3	IT Audit – IT Governance, IT Security and IT Project Management. *deep dive	Not Due	Q3
4	Procurement – including purchasing, contract management, store cards and credit cards. *deep dive	In Progress	Q2
5	DRIVES System	Completed	Q1
6	Key Financial Process – Accounts Receivable, Provisioning and Invoicing	Deferred Q2	Q3
7	Certifications (Proposed replacement audit, assuming the cost of the audit will be the same as Asset Management)	Not Due	Q4
8	Asset Management	Q2	
9	Corporate Risk Management	Q4	
8	WHS Compliance Framework	Not due	Q3 Q4
11	Fraud and Corruption prevention management	Q 4	
9	Events Management	Completed	Q1
10	Customer Service Management	In Progress	Q1
14	Change Management	Q3	
11	Parks and Open Spaces (maintenance and booking) *deep dive	Not due	Q3
12	Review and update of Internal Audit Program	Q4	Q4

Legend

	Audit in Progress
	Audit Completed
	Audit outstanding
TEXT	Audit added
	Audits deleted
TEXT	Deleted

All proposed audits for Q1 FY 2019/20 have been completed. To date, only one audit has been scheduled for Q2 has been planned and progressed. This is the Procurement audit, which was a deferment from FY 2018/19.

The following should be noted:

1. The draft Customer Service Management audit report has been presented to the Manager Customer Experience and the Director City Life. Management has proposed

- some changes to the content of the report and this is currently being actioned to be sent back to the audit consultant for his review and consideration.
- 2. The verification of the implementation of audit recommendations have been completed and the report endorsed by the Executive Committee.
- 3. An additional Fleet and Plant audit and stocktake was completed in FY2018/19. This audit was requested for by Procurement and supported. This report is awaiting management comment finalisation.
- 4. A separate review of the Bayside BEC was undertaken and presented to the Board of the BEC. Council is a member of the organisation and the General Manager is its Chair.

Attachments

Nil



Item No 5.8

Subject Confidential - Risk Management Overview

Report by Ray D'Angelo, 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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