



W A V E R L E Y  
C O U N C I L

## **AUDIT COMMITTEE MEETING**

**10.00AM, FRIDAY 9 JUNE 2017**

Waverley Council  
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### **AUDIT COMMITTEE MEETING**

A meeting of the Waverley Council Audit Committee will be held in the Bronte Room, Level 2, Waverley Council Chambers, Corner Bondi Road and Paul Street, Bondi Junction at:

**10.00am, Friday 9 June 2017**

#### **COMMITTEE MEMBERS:**

Independent Members: Mr M Bass (Chair)  
Mr N Hall

Councillor Member: Cr B Mouroukas  
Cr T Kay (Alternate)

#### **ATTENDEES:**

Ms C Henderson – Acting General Manager  
Mr S Helweh – Senior Internal Auditor  
Ms T Su – Acting Executive Manager, Financial Waverley  
Ms J Worthy – Manager, Internal Ombudsman’s Office

#### **INVITEES:**

Ms E Scott – Acting Director, Waverley Renewal

#### **QUORUM:**

Two Committee members.

#### **APOLOGIES:**

By telephone or email to:

Al Johnston, Governance & Internal Ombudsman Officer  
Ph: 9083 8107 or email [alan.johnston@waverley.nsw.gov.au](mailto:alan.johnston@waverley.nsw.gov.au)

## AGENDA

### **A-1706.A Apologies**

### **A-1706.DI Declarations of Interest**

The Chair will call for Declarations of Interest.

### **A-1706.1 Confirmation of Minutes of Previous Meeting – 24 March 2017**

**PAGE 5**

**Recommendation:** That the Minutes of the Waverley Council Audit Committee Meeting of 24 March 2017; a copy of which was distributed to each Committee member, be received and that such Minutes be confirmed as a true record of the proceedings of that meeting.

### **A-1706.2 CONFIDENTIAL REPORT – Internal Audit Special Request – Supplier Management (Maintenance & Construction) (A09/1105)**

**ISSUED SEPARATELY**

Confidential Internal Audit Special Request Report on the management of suppliers and contractors in the Maintenance & Construction sub-program area.

**Recommendation:** That:

1. The Audit Committee receives and notes the report.
2. The report be treated as confidential in accordance with the provisions of Section 6.4(c) of Waverley Council's Audit Committee Charter for the following reasons:
  - (a). The report contains information that would, if disclosed, confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.
  - (b). It is not in the public interest to reveal sensitive information about Council's internal operations, which if disclosed may prejudice Council's effective operation of its functions.
3. The reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.

**A-1706.3**  
**Internal Audit Special Review – Road and Footpath Restorations (A09/1105)**

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Internal Audit Special Review Report about the road and footpath restorations process.

**Recommendation:** That the Audit Committee endorses the draft Internal Audit Special Review of Roads and Footpath restorations at Waverley Council and the subsequent Management Action Plan.

**A-1706.4**  
**Police Referrals (A09/1105)**

**PAGE 15**

Report from the Executive Manager, Performance and the Manager, People Culture Learning about referring any staff criminal matters to the police.

**Recommendation:** That the Committee receives and notes the report.

**A-1706.5**  
**2017-18 Audit Plan (A10/0345)**

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The Internal Auditor will present the 2017-18 Audit Plan.

**Recommendation:** That the Committee adopt the 2017-18 Audit Plan.

**A-1706.6**  
**Next Meeting of the Committee**

The next meeting of the Committee is scheduled to be held at:

- 10.00am on Friday 8 September 2017

**Recommendation:** That the Committee receives and notes this information.

**A-1706.7**

**GENERAL BUSINESS**

**MINUTES OF THE WAVERLEY COUNCIL AUDIT  
COMMITTEE MEETING HELD AT THE WAVERLEY  
COUNCIL CHAMBERS ON FRIDAY 24 MARCH 2017**

**Voting Members Present:**

Mr N Hall	Independent Member (Chair)
Mr M Bass	Independent Member
Cr B Mouroukas	Waverley Council

**Also Present:**

Cr T Kay	Waverley Council (Alternate Council Representative)
Ms C Henderson	Acting General Manager
Mr F Rombola	Executive Manager, Financial Waverley
Mr S Helweh	Internal Auditor
Ms J Worthy	Manager, Internal Ombudsman's Office
Ms W Liao	Director, Financial Audit Services, Audit Office of New South Wales
Mr G Mottau	Director, Audit and Assurance, Hill Rogers
Mc L Bathur	Acting Director, Waverley Life
Ms T Su	Management and System Accountant
Ms N Kirkup	Committee Secretary

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*At the commencement of proceedings at 10.04 am, those present were as listed above.*

**A-1703.A**

**Apologies**

There were no apologies.

**A-1703.DI**

**Declarations of Interest**

The Chair called for Declarations of Interest and none were received.

**A-1703.1**

**Confirmation of Minutes of Previous Meeting – 10 June 2016**

**DECISION:** That the Minutes of the Waverley Council Audit Committee Meeting of 10 June 2016; a copy of which was distributed to each Committee member, be received and that such Minutes be confirmed as a true record of the proceedings of that meeting.

#### **A-1703.2**

##### **Audit Function at Waverley Council (A09/1105)**

Under the Local Government Amendment (Governance and Planning) Act 2016 the Auditor-General is now the auditor of all NSW councils (s.422).

Ms Weini Liao from the Audit Office of NSW has been appointed by the Auditor-General to oversee the audit function at Waverley Council.

Ms Liao explained the changes in the audit process to the Committee.

**DECISION:** That the Committee receives and notes this information and the Client Services Plan as tabled at the meeting.

#### **A-1703.3**

##### **Internal Audit's Progress Report (A10/0345)**

Report from the Internal Auditor about progress with the FY16-17 Audit Plan.

**DECISION:** That the Audit Committee receives and notes the report.

#### **A-1703.4**

##### **Interim Audit - Response to 2016 Audit Management Letter (A04/0630)**

Report from the Executive Manager Financial Waverley about Council's response to Hill Rogers' 2016 Audit Management Letter.

*Council's response to the 2016 Audit Management Letter was tabled at the meeting.*

**NOTE:** *The External Auditor (Hill Rogers) will use the response to consider the current audit letter.*

**DECISION:** That the Committee receives and notes the report.

#### **A-1703.5**

**ISSUED SEPARATELY**

##### **CONFIDENTIAL REPORT - Internal Audit Special Request Report on Cash Management at Bondi Pavilion (A09/1105)**

Confidential Internal Audit Special Request Report on cash management at Bondi Pavilion issued January 2017.

**DECISION:** That:

1. The Audit Committee receives and notes the report.

2. The report be treated as confidential in accordance with the provisions of Section 6.4(d) of Waverley Council's Audit Committee Charter for the following reasons:
  - (a) The report contains commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it.
  - (b) It is not in the public interest to reveal commercially sensitive information about Council's internal operations and business interests, which if disclosed may prejudice Council's effective operation of its functions.
3. The correspondence and reports relevant to the subject business be withheld from the public as provided by Section 6.4 of the Audit Committee Charter.
4. A report be prepared for the Committee on Council's obligation to report criminal activity to the Police and other appropriate authorities.

#### **A-1703.6**

##### **Randwick Waverley Woollahra Combined Audit Committee Meeting October 2016 (A09/1105)**

Mr Martin Bass and Mr Noel Hall briefed the Committee on the Combined Audit Committee Meeting held in October 2016.

*The minutes of the combined meeting were attached to the agenda.*

**DECISION:** That:

1. The Committee receives and notes the information.
2. The Acting General Manager asks the other General Managers of Randwick and Woollahra when the next Combined Audit Committee Meeting will occur.

#### **A-1703.7**

##### **Next Meeting of the Committee (A09/1105)**

The next meeting of the Committee is scheduled to be held at:

- 10.00am on Friday 9 June 2017

**DECISION:** That the Committee receives and notes this information.

#### **A-1703.8**

##### **GENERAL BUSINESS**

There were no matters of General Business.

**THE MEETING CLOSED AT 12.56 PM.**

## Report

**Subject:** Internal Audit Special Review – Road and Footpath Restorations

**Trim File No.:** A09/1105

**Author:** Sam Helweh, Internal Auditor  
Emily Scott, A/Director, Waverley Renewal



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### Recommendation:

That the Audit Committee endorse the draft Internal Audit Special Review of Roads and Footpath restorations at Waverley Council and the subsequent Management Action Plan.

### Introduction/Background

In response to escalating complaints about the quality of completed footpath and roads restoration works from residents, a historical backlog of restoration work, and concern about a lack of clear process governing the work, the General Manager requested the Internal Auditor undertake a special review of the Roads and Footpath Restoration process in 2016. Attached is a copy of the confidential report prepared by the Internal Auditor (Attachment 1).

In response to the findings of the Special Review, Waverley Renewal senior management team worked to prepare a management action response to the identified issues. A copy of the draft plan is attached (Attachment 2). This management plan was endorsed by the Waverley Executive Leadership Team (ELT) on 29 May 2017 to go to the Internal Audit Committee for feedback / endorsement.

### Discussion

The Internal Audit Special Review identified the following key issues with the current approach:

- Lack of formal agreements in place with major / minor utilities for road opening works or regular communication;
- No system works integration to anticipate and coordinate works by utilities;
- Poor internal record keeping and database management;
- Need to review roles and responsibilities of staff undertaking roads and footpath restoration work to improve supervision of work;
- Large backlog of outstanding restoration work; and
- Poor community information on current works program.

Attachment 2 provides a management response to the findings with a proposed recommendation to address the issue.

### Financial impact statement/Timeframe/Consultation

*Financial:* Staff time.

*Timeframe:* The proposed implementation schedule commences in June 2017 and is due for completion in June 2018.

*Consultation:* Internal staff consultation to date has included:

- Internal Auditor
- General Manager
- Director, Waverley Renewal
- Executive Manager, Clean and Attractive
- Executive Manager, Creating Waverley
- Executive Leadership Team (ELT)

## **Conclusion**

## **Attachments:**

- Attachment 1: Internal Auditor Special Review \_Roads and Footpath Restorations
- Attachment 2: Roads and Footpath Restorations Management Action Plan

## Attachment 2: Internal Audit Special Review \_ Road and Footpath Restorations Process Action Plan

Special Review Findings	Renewal Discussion	Recommendation	Action Officer	Timeframe
<p>Only one utility agreement is in place with Sydney Water with little service level management</p>	<ul style="list-style-type: none"> <li>• Sydney Water agreement only around costs with minimal service level agreement information</li> <li>• At the Street Opening Conference an integrated SLA was developed with all authorities and local government representatives</li> <li>• Need to review, amend if required, and endorse signed agreement with all parties</li> <li>• Need to have regular communication with major utilities in LGA (twice per year) – Telstra, Sydney Water, NBN, and Energy Australia and smaller utilities (once per year)</li> </ul>	<ol style="list-style-type: none"> <li>1. Review, amend if necessary, and seek to formally endorse the SLA developed at the Street Opening Conference</li> <li>2. Schedule bi-annual meetings with large utilities and annual meetings with minor utilities to monitor:               <ul style="list-style-type: none"> <li>• Future proposed program of works</li> <li>• Outstanding issues</li> </ul> </li> </ol>	<p>Executive Manager, Creating Executive Manager, Clean and Attractive Director, Renewal</p> <p>Executive Manager, Creating</p>	<p>November 2017</p> <p>Commence February 2018</p>
<p>No system works integration with state utilities to anticipate coordinated works.</p>	<ul style="list-style-type: none"> <li>• No one is in charge of all restorations and coordination of future work</li> <li>• Strategic relationship management should be with EM, Creating and Director Renewal</li> </ul>	<ol style="list-style-type: none"> <li>3. Investigate possibility of subscribing to the Street Opening Conference iworcs database to better coordinate multi-stakeholder capital works program.</li> </ol>	<p>Manager, M&amp;C</p>	<p>Assess feasibility by November 2017</p>

## Attachment 2: Internal Audit Special Review \_ Road and Footpath Restorations Process Action Plan

	<ul style="list-style-type: none"> <li>Operational management with EM, Clean and Attractive</li> <li>Need to get better at planning for future program of works / scheduling in partnership with the utilities</li> </ul>			
Poor internal record keeping and database (MS Excel) management. The content was incomplete and unsupported, with restorations orders not found in councils' document management system – TRIM	<p>In the absence of a new asset management system (planned for EB roll out), group agreed we need an improved system that details:</p> <ul style="list-style-type: none"> <li>Utility</li> <li>Scheduled rate</li> <li>Square Metres of work</li> <li>Location</li> <li>Date of Order issue</li> <li>Date of Completion</li> </ul>	4. Develop interim road and footpath restorations master database stored in TRIM that has agreed information.	Manager, M&C	September 2017
A review of organisational responsibilities and staffing arrangements is required to improve the controls and optimize process efficiencies.	<p>Agreed that we need a designated Restoration Officer (like neighbouring Councils) that:</p> <ul style="list-style-type: none"> <li>Manage utility liaison</li> <li>Manage SLAs</li> <li>Manage billing administration</li> <li>Manage invoicing for work and payment receipting</li> <li>Manage master database</li> <li>Inspect completion of works</li> </ul>	<p>5. Review existing staff resources in M&amp;C and if necessary, investigate feasibility of a trial for a Restorations Officer for 12 months fully funded by utility payments</p> <p>6. Undertake audit of LGA to confirm outstanding restorations / report any new restorations</p>	<p>Renewal EMs and Director Renewal</p> <p>Road restorations team</p>	<p>Feasibility assessed by September 2017</p> <p>December 2017</p>

## Attachment 2: Internal Audit Special Review \_ Road and Footpath Restorations Process Action Plan

	<p>Should be a self-funding business unit</p> <p>Need to undertake a full audit of the Waverley LGA to check any unreported restorations</p>			
A centralized push or collaboration with SSROC to pursue the establishment of a broad restorations service level agreement.	Agreed that the Street Opening Conference Model agreement between Council and utilities is appropriate (refer Attachment).	Addressed in recommendations 1-6 above.		
Greater accountability in staff supervision over works and in accordance with internal service level agreements between council divisions, this must be firstly drafted.	Agreed. Need a stand-alone resource dedicated to improving works.	Addressed in recommendations 1-6 above.		
High levels of outstanding restoration orders, including unidentifiable orders.	Need to review allocated resources to address backlog.	Addressed in recommendations 1-6 above.		
Faster investigation of restoration orders and completion of works, in some instances, orders have been outstanding for over 7 years.	Agreed. Need a stand-alone resource dedicated to improving works.	Addressed in recommendations 1-6 above.		

## Attachment 2: Internal Audit Special Review \_ Road and Footpath Restorations Process Action Plan

<p>Introduce relationship or liaison officers with state utilities to ensure there is continued business improvement in the restoration works stream. Currently, there is no formal contact list nor person liaising with these utilities.</p>	<p>Agreed. Need a stand-alone resource dedicated to improving works.</p>	<p>Addressed in recommendations 1-6 above.</p>		
<p>Increased management of relationship / monitoring of restoration works - Council will be expected to review the works completed by Utility both at completion, and prior to the expiry of the defects liability period.</p>	<p>Agreed. Need a stand-alone resource dedicated to improving works.</p>	<p>Addressed in recommendations 1-6 above.</p>		
<p>Council staff to be required to complete other activities related to managing the work such as logging on Councils GIS system, as well as fielding and investigating public enquires regarding the restoration.</p>	<p>Agree. Need an online mapping tool for staff and community of future scheduled works.</p>	<p>7. Prepare a forward program of all outstanding restorations and map in GIS.</p>	<p>Manager Design and Manager M&amp;C</p>	<p>July 2018</p>

## Report

**Subject:** Report on Police referrals

**Trim File No.:** A09/1105

**Author:** Peter Ryan, Manager People Culture Learning and  
Angela Royal, Executive Manager, Performance



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### Recommendation:

That the Committee receive and note the report.

### Executive Summary

The aim of this report was to investigate and respond back to Audit Committee Council's legal obligation to report potential crimes committed by Council employees to the police. Contact was made with the LGNSW industrial unit and legal advice obtained. The interpretation of the advice indicates that Council should report all matters to the police which are potential crimes. All Performance staff and any staff member involved in investigations has been advised of this obligation.

### Introduction/Background

At its last meeting, Audit Committee discussed a series of small thefts that occurred by a Waverley staff member in 2016, resulting in that staff member repaying the money, disciplinary action commencing and the staff member leaving the organisation. Although the matter was reported to ICAC it was not reported to the police. Questions were raised by Audit Committee members as to whether all potential crimes should be reported to police.

### Discussion

Attached to this report is an article from Clayton Utz relevant to this topic. It appears that under the NSW Crimes Act 1900 there is an obligation to report to police any "serious indictable offence" – any crime which could be liable for a prison sentence of five years or longer. Crimes of fraud and obtaining money by deception can attract a sentence of five years or more. This means that if there is a theft (even if the theft involves a very minor dollar amount), there is an obligation to report it to police.

Unfortunately, relevant staff were previously unaware of this requirement, which is specific to New South Wales.

### Consultation:

As a result of the information gathered we have advised all senior staff, and all human resources staff who could be involved in workplace investigations, of this obligation.

### Attachments:

- Clayton Utz article

04 SEP 2008

# Conceal or reveal? Reporting white-collar crime

BY LUKE BUCHANAN

Corporate victims of white collar crime may decide not to report it to the police for many reasons, but that failure may itself be a criminal offence.

Frequently, the first entity (apart from the criminal) which becomes aware of the commission of a white collar crime is the corporation which employs the criminal, because the corporate employer is also the victim of the crime.

An employer's priorities will normally be to achieve reimbursement of the missing funds and termination of the perpetrator's employment. Reporting of the criminal conduct to the Police (or other appropriate authority) is not necessarily uppermost among the employer's priorities, which may sometimes consider that the matter is best dealt with in house, without involving the Police or other authorities.

The employer may well need to rethink its priorities. The above approach is fraught with danger for the employer, because failure to report the crime may itself constitute an offence, and can lead to fines for the company and, potentially, even gaol time for its officers who knew of the crime but failed to report it.

## Why corporations don't report...

There are a few reasons why white-collar crime, even if detected, is under-reported to the authorities. They include:

**The bargaining chip:** When the perpetrator is discovered, the employer often wants reimbursement and termination of his or her employment. The threat of reporting is a way to generate additional leverage in the settlement negotiations.

**Avoiding reputational damage:** White-collar crime is a particularly sensitive matter and has a real potential to bring negative publicity and damage to the reputation of a corporation. In particular, management may be concerned about a loss of confidence on the part of customers and shareholders if it becomes widely known that criminal activity has occurred within the corporation, or may feel vulnerable to personal criticism if internal control mechanisms have failed to prevent fraud.

**It's wrong, but is it a crime?** In some cases, management may also have misgivings as to whether

the offence will be able to be proved or whether it is serious enough to warrant the involvement of the Police.

**Losing control:** Management can be reluctant to allocate time and resources to assisting the Police with any inquiries. Once a corporation reports the commission of a crime to the Police (or other appropriate authority), management loses control over what happens next.

### ...And why they should

In New South Wales, the effect of section 316(1) of the Crimes Act 1900 is that a person who fails to report conduct which amounts to a serious indictable offence is liable to imprisonment for two years.

The elements of the section are:

- a person (including a company) has committed a serious indictable offence;
- another person (including a company) knows or believes that the offence has been committed
- that other person has information which might be of material assistance in securing the apprehension of the offender or the prosecution or conviction of the offender; and
- that other person fails, without reasonable excuse, to bring that information to the attention of a member of the Police Force or other appropriate authority.

A "serious indictable offence" is defined as an indictable offence which is punishable by imprisonment for life or for a term of five years or more, but section 316(1) does not require that you know the relevant conduct amounts to a serious indictable offence, only that it is an offence.

In NSW, a serious indictable offence can include:

- larceny by clerks or servants;
- embezzlement by clerks or servants;
- fraudulently appropriating property by a director, officer or member of any body corporate or public company;
- cheating or defrauding by a director, officer or member of any body corporate or public company;
- fraudulent misappropriation of monies collected or received; and
- obtaining money by deception.

Section 316(1) leaves no room for an employer to agree not to report to the Police (or other appropriate authority) the conduct of the officer or employee as part of a settlement, if that conduct amounts to a serious indictable offence. In fact, agreeing not to report for a quid pro quo will actually increase the maximum penalty to five years' imprisonment, under section 316(2).

Section 316(1) of the Crimes Act is not replicated in other Australian jurisdictions but that is not the case with section 316(2). The Commonwealth and most States and Territories have laws making it an offence for a person to accept a benefit in exchange for not reporting an offence, a serious indictable offence or a

crime: see the Crimes Act 1914 (Cth), section 44, Crimes Act 1958 (Vic), section 326(1); Criminal Code Act 1899 (Qld), sections 133-134; Criminal Code (WA), section 136; Criminal Code 1924 (Tas), section 102(1); Criminal Code Act (NT), section 104(1).

### **What you can - and cannot - do**

This should sound as a warning to all directors and other officers or employees of a corporation dealing with white collar crime, including in the context of settlement discussions with a fraudulent employee.

You cannot:

- assume that an employee's misconduct is too trivial or embarrassing to report. You should take advice on the nature of that misconduct and report where necessary;
- use reporting as a bargaining chip, because keeping quiet for money or other benefits will increase the maximum term of imprisonment from two to five years in NSW and is an offence in other States and Territories.

You can:

- ask for reimbursement or termination as long as the quid pro quo isn't that you will not report the perpetrator to the authorities;
- offer not to launch civil proceedings as a negotiating tool.

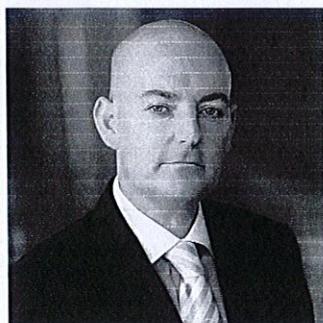
In short, your employee will have to take his or her chances with the criminal justice system - otherwise you will have to.

*Thanks to Hannah Bushell for her help with this article.*

## **RELATED KNOWLEDGE**

Fraud and legal risk: what employers need to know

## **GET IN TOUCH**



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**Disclaimer**



# Waverley Council

## Annual Audit Plan

For the financial year ending 30 June 2018

*The Internal Audit vision is to provide a highly valued internal audit function that assists management to achieve their business objectives and discharge their responsibilities by working together to develop an efficient and effective system of internal control and processes.*

### Foreword

The Audit Plan has been constructed to:

- Encompass the role of Internal Audit as defined in the Internal Audit Charter.
- Establish the scope of activities of the Internal Audit function through consultation with senior management and risk assessment.
- Reflect a review and analysis of the organisation's business activities and associated risks, and to align with organisations priorities.

# Introduction

## 1. Background

SSROC was appointed as Waverley Council's Internal Audit shared service provider in May 2010. To plan the work to be conducted over the course of the contract, SSROC, in conjunction with Waverley Council management has developed an Annual Audit Plan to cover activities for the 2017/18 financial year. The Plan was agreed to with Waverley Council management and was presented at the June 2017 Audit Committee. The Plan will be followed in accordance to previous audit plans completed at Waverley Council, however, the recent NSW Government amalgamations activity will have a major impact on the completion or cessation of Internal Audit activity upon proclamation. SSROC, will resource the plan to Waverley Council based on an agreed 3 day working work with a designated Senior Internal Audit consultant.

The Plan may be subject to annual review and update to confirm validity of proposed projects for the forthcoming year and to consider projects associated with emerging risk issues. Waverley Council has currently undergone an organisational restructure. The positions of key stakeholders have since changed, however, the process for discussions relating to Internal Audit have not been impacted.

## 2. Internal Audit Focus and Priorities

### Role of Internal Audit at Waverley Council

Internal Audit provides a systematic, disciplined approach to evaluate and improve the effectiveness of risk management / mitigation processes, internal controls and governance activities within the Waverley Council.

The scope of Internal Audit's activities includes:

- evaluating the efficiency and effectiveness of internal control systems and processes (administrative systems and project related systems);
- ensuring resources are acquired economically, used efficiently and adequately protected;
- monitoring compliance with the Council's policies and procedures;
- reviewing the systems for ensuring legislative or regulatory issues impacting the Council are recognised and addressed properly; and
- conducting special investigative reviews at the request of Management and the Audit Committee.

Internal Audit will assist the Audit Committee and Management to meet their various assurance obligations relating to best practice governance and the adequacy of internal controls within the organisation.

Internal Audit reports are provided to the Audit Committee and Executive Management. Internal Audit is available to assist the Audit Committee as required and attend meetings

upon invitation.

*Internal Audit's program in 2017/18 will focus on the following priorities:*

- Flexibility to respond to new circumstances
- Plan to be re-validated every six months
- Coverage of the most important and high risk processes and areas of the organisation, with some reliance on Waverley Council's Risk Register
- Use an organisational process approach to internal audit which includes root cause analysis and recommendations to avoid recurrence
- Maintain a dual compliance and organisation improvement/ process effectiveness focus, project scopes include both an internal control and organisation improvement focus
- Identify the systemic problems (root cause) to issues identified
- Concise and to the point reports that quickly get to the heart of the issue
- Customised reporting templates and protocols that include a short executive summary and use plain English
- Bring insight of how we have helped other organisations improve their processes and internal controls
- Challenge each organisational process and consider if it can be performed more efficiently and effectively
- Specific work step for each project to bring fresh process improvement ideas to Council
- Effective communication
- Program of regular meetings with executive (GM)

### 3. Objectives and scope

The objective of this project was to create an Annual Audit Plan, covering the 2017/18 Financial Year.

The Plan looks at the areas with the highest risk possibly faced by Waverley Council. It also includes other Internal Audit projects, which are included within the plan for the purposes of good governance, or to meet specific compliance obligations.

In performing this project, we:

- Met individually with key executive personnel to confirm the risk areas under their responsibility and to identify any emerging risks or issues or which should also be considered in the development of the Internal Audit Plan
- Used our knowledge of Local Government, both in New South Wales and interstate to identify any other topical risk issues or internal audit projects relevant to Waverley Council
- Used the outputs from the above to create a list of potential internal audit projects
- Presented the list of all potential projects together with a recommended Internal Audit Plan to the Waverley Council Executive Management and facilitated a discussion

to confirm those audit projects to be included in the Internal Audit Plan

- Identified any further areas which should be included in the plan due to legal or regulatory requirements or for good corporate governance

Please note that IT risks are currently excluded from the scope of the Internal Audit program as IT assurance is to be delivered by another outsourced provider.

The Internal Audit Plan is shown in Section 2 of this report.

## 4. Internal Audit Planning Process

We have taken into consideration a risk-based approach to the preparation of the annual audit plan. Also, a consultative process, involving meetings with executive and line management. The Internal Audit Plan has been designed to ensure that Internal Audit is an effective tool to assist the management in discharging its responsibility for:

- the establishment and management of effective and efficient operating and financial systems and procedures; and
- addressing the key organisation risks faced by Waverley Council

In considering auditable areas, we have also had regard to the need to perform periodic reviews of core organisational processes. In our experience the Audit Committee and Executive Management want assurance from Internal Audit that controls in core organisational processes are operating effectively. Our audit plan recognises this and presents a balanced approach with reviews of high-risk areas and core organisation processes.

This is the following process:

### Stage 1 – Conducting of Interviews

- Discussion held with senior management:
  - the strategic and operational success factors and related potential organisation risks; and
  - changes in organisation conditions and operations that may give rise to organisation risks.

### Stage 2 – Identification of Potential Auditable Areas

- Conducted interviews with key primary risks owners;
- Identified risks which Internal Audit can aid the Audit Committee, and Management;
- Preliminary identification of auditable areas; and
- Formulated the development of a list of key organisation activities that should be reviewed by Internal Audit on a regular cyclical basis.

### Stage 3 – Relative Ranking of Auditable Areas

- Collated and analysed responses to interviews; and
- Identified key risk areas and prioritised the proposed list of Internal Audit projects in line with discussions with senior management.

#### **Stage 4 – Internal Audit Plan**

- Developed the draft plan;
- Discussed the draft plan with executive management;
- Present the draft plan to the Audit Committee; and
- Finalise the plan.

Through these activities, potential Internal Audit projects were identified and prioritized.

## **Deliverables**

### **Internal Audit Reporting**

A report will be prepared within seven working days of completion of each internal audit project and will include:

- A concise executive summary providing a brief of the work completed, overall conclusion and major findings, recommendations and management agreed actions; and detailed findings and recommendations prioritised as high, medium or low together with management agreed action plans for each issue.
- Management responses to draft reports will be required within ten working days.
- We will be tracking timelines of management comments and reporting these to the General Manager.

### **Audit Committee Report**

We will prepare a concise report for the Audit Committee summarising our activity for the preceding quarter along with plans for the following quarter. The report will also highlight the major issues arising from each internal audit review and the recommended actions required to improve controls or generate process efficiency improvements. Agreed actions will be monitored and reported to the Audit Committee.

## **Acknowledgement**

We wish to acknowledge our appreciation for the assistance and cooperation received from management and staff of Waverley Council in completing these reviews.

## 5. Internal Audit Plan 2017/18

The focus of our Internal Audit program for 2018 will include the processes / key risks outlined in the tables below. Our approach is to confirm with management the specific areas of scope prior to conducting Internal Audit work, and as such, the plan may be subject to changes in emphasis. The table below shows a summary of the proposed Internal Audit Plan for the 2017/8.

Review	Prioritisation Factors			Audit Coverage & Estimated Timelines		
	Risk Rating	Priority of Audit	Common Business Risk	Proposed Coverage	Days	Timing
Public Place Cleansing – OHS	M	A	BR12	An end to end review of outdoor staff safety, welfare, training, education and other areas relating to health and safety.	18	Q1
Developer Contributions & Planning agreements	H	A	BR3,4,7,11	An end to end review of the process and controls relating to council's developer contributions and planning agreements such as: <ul style="list-style-type: none"> <li>• determination and provision of direct and indirect contributions</li> <li>• collection and reporting</li> </ul>	28	Q1
Food & Health premises	M	B	BR7,9,10,12	Look at the end to end process of how businesses and council practices are ensuring all operators are complying with internal and external regulations, and how council administers this process.	21	Q2
Childcare Centre - Purchasing management	H	B	BR7,9,10,12	To review the purchasing practices at Waverley Childcare centres, looking at payments, invoicing, debtor management, reporting and systems.	21	Q2
Domestic Waste Services	M	B	BR2,3,5,9,10,11,12	An end to end review of councils in-house waste collection process, including 3 <sup>rd</sup> party contracts, collection, payments, asset, billing and collection of revenue.	35	Q3
<b><u>Follow Up</u></b>						
Customer Requests and Complaints Handling	H	C	BR2,5,10	Review end to end the process for managing customer complaints, prioritisation, reporting, service delivery and issuing of information across the council.	18	Q4

## Proposed Timetable for 2017/18 Audit Plan

Internal audit review	Quarter			
	Sept 2017	Dec 2017	Mar 2018	Jun 2018
Public Place Cleansing – OHS				
Developer Contributions & Planning agreements				
Food & Health premises				
Childcare Centre - Purchasing Management				
Domestic Waste Services				
<b><u>FOLLOW UP</u></b>				
Customer requests & complaints handling				
Develop/Update Internal Audit Plan				
Communication with Audit Committee	▲	▲	▲	▲

## Potential Strategic Risks in Local Government

#	Description
SR1	<b>Operational</b> - Failure to adequately anticipate and deliver the strategic and operational plans leading to poor public infrastructure and community dissatisfaction.
SR2	<b>Financial</b> - Loss of revenues, resources and assets due to inefficiencies in processes and inadequate financial management.
SR3	<b>Reputational</b> - Incidences of corruption, public safety, wastage of resources and poor public relationship management leading to breakdown of community confidence
SR4	<b>Legislative</b> - Failure to comply with legislative obligations leading to disputes/penalties
SR5	<b>Environmental</b> - Environmental incidences leading to environmental impacts/pollution

## Common Business Risks

In undertaking the audits contained in the Annual Audit Plan, Business Risk focus has also taken into consideration thirteen of the most common business risks drawn from elements contained in the Guidance on Assessing Controls – the CoCo Principles (developed by the Canadian Institute of Chartered Accountants – Criteria of Control Board). These are summarised below.

#	Description of Business risks
BR1	Inability to withstand unanticipated events such as natural disasters
BR2	Unnecessary costs
BR3	Revenue not maximised
BR4	Internal and external information unreliable and / or irrelevant
BR5	Inefficient use of resources
BR6	Inability to take advantage of opportunities
BR7	Non-compliance with laws and regulations.
BR8	Failure to develop people
BR9	Loss of reputation / credibility
BR10	Quality of service or product not at acceptable standard.
BR11	Assets not safeguarded
BR12	Lack of safety of employees or customers or the environment