

# **Bunbury-Harvey Regional Council**

**Review of appropriateness and effectiveness of the systems and procedures in relation to Risk Management, Internal Control and Legislative Compliance**

**21 November 2014**

## Risk Management

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls.

| # | Issue   | Effectiveness of initiatives | Comments   | Respondent  | Recommendations  | Timeframes for implementation |
|---|---|------------------------------|--|---|--|-------------------------------|
| 1 | Are the Council's risk management systems effective, and are material operating risks considered appropriately?   | Room for improvement         | <ul style="list-style-type: none"> <li>Risk Management Framework under development.</li> </ul>   | Chief Executive Officer   | <ul style="list-style-type: none"> <li>Complete risk management framework</li> <li>Implement risk management framework and risk assessment.</li> </ul>   | 30/06/15<br>30/12/15          |
| 2 | Is the Council's business continuity plan current, effective and tested from time to time?  | Room for Improvement         | <ul style="list-style-type: none"> <li>Security of Landfill Operations beyond 30 June 2016 uncertain.</li> </ul>   | Chief Executive Officer   | <ul style="list-style-type: none"> <li>Continue development of appropriate structures, procedures to support Business Continuity, secure alternative landfill site.</li> </ul>   | ongoing                       |
| 3 | Are the Council's internal processes for determining and managing material operating risks in accordance with the Council's identified tolerance for risk in the following areas: <ul style="list-style-type: none"> <li>Potential non-compliance with legislation, regulations and standards and policies;</li> <li>Important accounting judgements or estimates that prove to be wrong;</li> <li>Litigation and claims;</li> <li>Misconduct fraud and theft;</li> <li>Significant business risks; recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the Council.</li> </ul> | Adequate                     | <ul style="list-style-type: none"> <li>Completion of annual statutory compliance audit report (CAR) - enables identification of any potential non-compliance with legislation, regulations, standards and policies.</li> <li>Internal Audit Program 2013/14.</li> <li>Independent auditor engaged annually to complete a comprehensive review of the City's end of year financial statements and Financial Management Systems.</li> <li>Comprehensive Insurance/Claims coverage and program with LGIS.</li> <li>Organisational Development Department maintain an OSH register of risks managed by the OSH Committee.</li> </ul> | <p>Chief Executive Officer</p> <p>Chief Executive Officer<br/>Chief Executive Officer</p> <p>Chief Executive Officer</p> <p>Chief Executive Officer</p> | <ul style="list-style-type: none"> <li>Identify tolerance and appetite for risk for inclusion in Risk Management Framework</li> <li>Provide systematic processes to identify, analyse, evaluate and treat all material operating risks.</li> </ul> | 30/06/15<br>30/06/15          |
| 4 | Are regular risk reports provided? Reports to outline: <ul style="list-style-type: none"> <li>Key risks;</li> <li>Status and effectiveness of the risk management systems;</li> <li>Identified risks are monitored;</li> <li>New risks are identified, mitigated and reported.</li> </ul>   | Room for improvement         | <ul style="list-style-type: none"> <li>LGIS Conduct Risk Audits on Council's Operational Areas.</li> </ul>   | Chief Executive Officer   |  |                               |
| 5 | Are the Council's processes adequate to manage insurable risks?   | Adequate                     | <ul style="list-style-type: none"> <li>Internal audit of Council's insurable risk completed in 2013/14.</li> <li>Annual insurance review with Local Government Insurance Services (LGIS).</li> </ul>   | Chief Executive Officer   |  |                               |

| # | Issue  | Effectiveness of initiatives | Comments   | Respondent              | Recommendations  | Timeframes for implementation |
|---|--|------------------------------|--|-------------------------|--|-------------------------------|
| 6 | Is the Council's internal control system with management and the internal and external auditors effective? | Adequate                     | <ul style="list-style-type: none"> <li><b>All as per City of Bunbury</b> - Review of financial management systems review in accordance with Regulation 5(1) of the <i>Local Government (Financial Management) Regulations 1996</i> undertaken by Grant Thornton – May 2014<br/>Areas reviewed include: <ul style="list-style-type: none"> <li>* Purchases/Payments/Payables;</li> <li>* Receipts/Receivables/Cash Management</li> <li>* Payroll</li> <li>* Rates</li> <li>* Other Revenue; and</li> <li>* Fixed Assets.</li> </ul> </li> </ul> <p><i>AMD Chartered Accountants undertook an internal audit of the Human Resources and Information Communication and Technology Departments.</i></p>  | Chief Executive Officer | <ul style="list-style-type: none"> <li>The final report indicated no areas of concern or weakness were identified across any of the areas audited.</li> </ul>  | N/A                           |
|   |  | Room for improvement         | <ul style="list-style-type: none"> <li><b>All as per City of Bunbury - The Human Resources:</b> <ul style="list-style-type: none"> <li>• Identification of HR requirements;</li> <li>• Recruitment procedures and processes including identification of new positions, advertising; interviewing and related procedures, communication to existing staff and setting up of new employees;</li> <li>• Basis of remuneration;</li> <li>• Staff induction procedures and processes;</li> <li>• Procedures and assessment of staff feedback; performance management and pay reviews;</li> <li>• Payroll recording and payment procedures, including timesheet authorisation, timesheet data entry; payroll processing and payment authorisation procedures;</li> <li>• Leave accruals, including use of leave forms, authorisation of leave forms, processing and reconciliation of employee provisions on a regular basis;</li> <li>• Payroll deductions, including employee authorisation and documentation;</li> <li>• Superannuation and group tax deduction payments; and</li> <li>• Termination payments, including use of termination checklist and review and authorisation prior to termination payment.</li> </ul> </li> </ul> | Chief Executive Officer | <p><b>Human Resources Audit</b> - nine recommendations were made.<br/>As at 1 October 2014, 5 completed - 4 in train.</p> <ul style="list-style-type: none"> <li>• That all HR work procedures be reviewed annually. Ongoing</li> <li>• Review code of conduct and have employees and Councillors sign an acknowledgement or receipt. Ongoing</li> <li>• Ensure that all employee performance reviews are completed by the target date. Completed 11/06/14</li> <li>• Two cheque signatories be required to authorise cheque payments from the advance bank account. Completed 11/06/14</li> <li>• That a formal termination check-list be developed, which is required to be completed on termination and signed off once completed. Completed 22/07/14</li> <li>• Employee provision reconciliation's be completed quarterly, with completed reconciliation's reviewed by someone independent of the reconciliation function. Completed 22/07/14</li> <li>• Leave forms completed by employees should be signed off by an appropriate level of management as evidence of approval. Completed 11/06/14</li> </ul> |                               |

| # | Issue                | Effectiveness of initiatives | Comments  | Respondent              | Recommendations  | Timeframes for implementation |
|---|----------------------|------------------------------|---|-------------------------|--|-------------------------------|
|   |                      |                              |   |                         | <ul style="list-style-type: none"> <li>Employees should take regular leave and leave balances should be reviewed quarterly by management to identify employees with excessive leave.</li> </ul>  | 30/06/15                      |
|   | Room for Improvement |                              | <p><b>All as per City of Bunbury - The Information and Communication Technology audit included:</b></p> <ul style="list-style-type: none"> <li>Planning the IT environment;</li> <li>Development and delivery services;</li> <li>Operation of the IT environment;</li> <li>Organising and monitoring IT processes;</li> <li>Ensure appropriateness of internal control policies and procedures and ensure these are adhered to in respect to IT systems, including access controls, backup procedures and recovery procedures;</li> <li>Review system security ensuring access restricted based on level of personnel;</li> <li>Assess identification and risk in respect to IT planning;</li> <li>Document procedures in respect to identifying IT needs and related procurement procedures;</li> <li>Review system support and ensure appropriate back-up personnel trained and available;</li> <li>Review of virus detection procedures; and</li> <li>Review procedures and plans for determining the needs for changes/improvements to existing IT systems and processes in place to implement such changes.</li> </ul> | Chief Executive Officer | <p><b>Information and Communication Technology Audit</b> - fourteen recommendations were made. As at 1 October 2014, 4 completed -10 in train.</p> <ul style="list-style-type: none"> <li>That all IT policies and guidelines be reviewed. 31/12/14</li> <li>Recommend that documented policies and procedures in respect of the areas identified be documented, approved, implemented and monitored on an ongoing basis. 30/06/15</li> <li>Formal project reviews to be completed following project implementation. Completed 20/10/14</li> <li>Undertake a review of the IT equipment register 31/12/14</li> <li>Register of remote access users be maintained and a policy for remote access be developed. Completed 20/10/14</li> <li>IT disaster recovery plan be reviewed and a testing schedule created. 31/03/15</li> <li>Back up procedures to be formally documented and a testing schedule created. Completed 30/09/14</li> <li>Analysis of root cause of IT queries to be completed quarterly. Completed 20/10/14</li> <li>Formal procedure to be developed with respect to return of IT equipment. Completed 20/10/14</li> <li>Security logs to be retained and reviewed on a regular basis. Completed 20/10/14</li> <li>Schedule of known required software maintenance and updates be prepared and complied with. Completed 20/10/14</li> <li>Formal review of service level agreements to be completed prior to renewal. Completed 20/10/14</li> <li>Feedback on performance of IT department to be sourced through annual staff performance reviews. Completed 13/06/14</li> <li>A register of software and program licences be created and maintained. Completed 20/10/14</li> </ul> |                               |

| # | Issue  | Effectiveness of initiatives | Comments  | Respondent                                  | Recommendations   | Timeframes for implementation |
|---|--|------------------------------|---|---|---|-------------------------------|
|   |  | Room for improvement         | Ongoing Audit Programme.  |   |   |                               |
| 7 | Are there controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk? | Adequate                     | <p><b>All as per City of Bunbury</b> - The following financial controls are in place to identify and mitigate these risks:</p> <ul style="list-style-type: none"> <li>• Purchase limit controls.</li> <li>• Segregation of financial duties.</li> <li>• Internal review of payments by an independent officer.</li> <li>• Actual expenditure is compared to budgets adopted by Council.</li> <li>• Finance Director and Manager Finance unable to process journals.</li> <li>• Journals and bank reconciliations are reviewed by Team Leader or Manager.</li> <li>• Access to financial system programmes are controlled by the Information and Technology Department.</li> <li>• Budget reviews are carried out in October and February each year.</li> <li>• A monthly financial report is prepared for Council which includes explanations of actual to budget variances of 10% and \$20,000.</li> <li>• Internal controls are reviewed annually by external auditors Grant Thornton.</li> </ul> | Manager Finance and Chief Executive Officer | <ul style="list-style-type: none"> <li>• Financial controls are considered adequate by external auditors</li> <li>• Following the establishment of Council's appetite and tolerance for corporate risk as identified under Issue #3, in accordance with the risk management framework, determine the level of controls to be in place.</li> </ul> | Ongoing<br>30/06/16           |

| # | Issue  | Effectiveness of initiatives | Comments  | Respondent   | Recommendations  | Timeframes for implementation   |
|---|--|------------------------------|---|--|--|---|
| 8 | <p>Assess the Council's procurement framework:</p> <ul style="list-style-type: none"> <li>• Probity;</li> <li>• Transparency and procedures/processes of policies and if these are being applied.</li> </ul> | Adequate                     | <ul style="list-style-type: none"> <li>• <b>All as per City of Bunbury</b> - WALGA Procurement Consultancy Service provided a Procurement Probity Review in May 2013.</li> <li>• The Review assessed the Council's current level of compliance against relevant purchasing legislation and regulations</li> </ul> | Senior Contracts And Procurement Officer and Chief Executive Officer | <p>46 recommendations were made<br/>As at 19 August 2014, 34 completed, 3 were dismissed, 9 remain in train.</p> <ul style="list-style-type: none"> <li>• Adopt centre-led approach to managing its procurement function - primary role to deliver value adding outcomes, compliance and good governance in relation to the City's procurement function.</li> <li>• Devolve procurement decision processes of less than \$ 100,000 (ex GST) in expenditure to the City's business areas - Contracts and Property provide professional advice and direction to all business areas undertaking procurement functions to ensure full compliance and value adding outcomes are delivered.</li> <li>• Contracts and Property Branch develop greater scope in ensuring that effective and compliant contract management activities are undertaken across the whole organisation.</li> <li>• Review the compliance and effectiveness of its purchasing processes and decisions, with a view to devolving all purchasing activity under the value of \$100,000 to its business units.</li> <li>• Purchasing Policy be amended to include the utilisation of WALGA's Preferred Supply Contracts and State Government Common Use Agreements</li> <li>• Rebrand "Model Code of Tendering" document as an internal publication, complete with a template form to request the establishment of a new tendering process to the Contracts and Property Branch.</li> <li>• Include a definition for "locally based contractors and suppliers" in Local Preference Policy.</li> <li>• Adopt and maintain Tender Register form from WALGA Procurement Handbook to ensure compliance with the Local Government (Functions and General) Regulations 1996.</li> </ul> | <p>Completed 30/09/14</p> <p>Finding Dismissed Council Decision (309/14)</p> <p>30/10/14</p> <p>Finding Dismissed Council Decision (309/14)</p> <p>Completed 28/03/14</p> <p>Completed 02/12/13</p> <p>15/10/14</p> <p>Completed 12/08/13</p> |

| # | Issue | Effectiveness of initiatives | Comments | Respondent | Recommendations  | Timeframes for implementation   |
|---|-------|------------------------------|----------|------------|--|---|
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>• That Council provides delegation to the Chief Executive Officer for the award of all Contracts up to the value of \$250,000.</li> <li>• Enforce its delegation to the Chief Executive Officer to approve all future acquisitions of light fleet.</li> <li>• Review Gift Registration Form to provide essential information required in line with the Code of Conduct and associated Gifts Policy.</li> <li>• Update method of recording declaration of gifts received onto a database.</li> <li>• Invest in training for staff involved in procurement activities</li> <li>• Mandates the use of Tenderlink as the sole source of receiving electronic tenders and quotations.</li> <li>• Consider additional level of security for tender and quotation processes in further customisation of Sharepoint.</li> <li>• Develop and implement policy to ensure appropriate records are created and retained.</li> <li>• Nominate a representative from the Contracts and Property Branch as Chairperson for every Evaluation Panel for a City tender.</li> <li>• Adapt the evaluation templates available in the WALGA Procurement Handbook, particularly the Tender Evaluation Workbook and Tender Evaluation Report for its own use.</li> <li>• Ensure selection criteria used in procurement process is directly relevant and value for money principles are correctly applied.</li> <li>• Evaluators to make notes regarding decision outcomes and notes to be included in EDMRS.</li> <li>• Training sessions for relevant officers on how to conduct an effective and compliant evaluation process and in particular, how to adopt value for money principles to tender evaluations.</li> </ul> | <p>Completed<br/>27/08/13</p> <p>Completed<br/>18/03/13</p> <p>Completed<br/>30/08/13</p> <p>Completed<br/>12/08/13</p> <p>30/09/14</p> <p>Completed<br/>29/11/13</p> <p>Completed<br/>16/05/14</p> <p>Completed<br/>12/08/13</p> <p>Completed<br/>01/08/13</p> <p>Completed<br/>30/09/13</p> <p>Completed<br/>12/08/13</p> <p>Completed<br/>12/08/13</p> <p>Completed<br/>30/09/13</p> |

| # | Issue | Effectiveness of initiatives | Comments | Respondent | Recommendations  | Timeframes for implementation |
|---|-------|------------------------------|----------|------------|--|-------------------------------|
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Updates current suite of Conditions of Contract for the Supply of Goods, Supply of Goods and Provision of Services and Provision of Minor Works to align to the current versions in the WALGA Procurement Handbook.</li> </ul>  | Completed<br>12/08/13         |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Maintain sufficient licences for the use and reproduction of Australian Standards Conditions of Contract (where applicable) and seek training for the correct utilisation of these Conditions, particularly AS 4122:2010 and AS 4000:1997.</li> </ul>                                 | Completed<br>29/11/13         |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Guide officers utilising Conditions of Contract on how to select and use appropriate sets of Conditions to mitigate unnecessary business risk.</li> </ul>   | Completed<br>31/10/13         |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Encourage the practice of offering supplier debriefs when requested and implement a policy to provide guidance for the proper conduct of the debrief.</li> </ul>  | Completed<br>12/08/13         |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Establish contract framework for utilisation by contract managers</li> </ul>  | 15/10/14                      |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Identifies a single owner of contract management related processes, systems and templates to ensure best practice contract management.</li> </ul>   | Completed<br>12/08/13         |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Store electronic copies of contract documentation and create contract summaries.</li> </ul>   | Completed<br>17/07/14         |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Update Contracts and Tenders Register with key triggers within contracts to ensure that key dates (such as renewal dates, expirations of certification and insurances) are monitored and required actions are taken.</li> </ul>   | 15/10/14                      |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Report on internal performance to monitor efficiency and effectiveness of processes and non-compliance to policies and legislation</li> </ul>   | 15/10/14                      |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Introduce a Supplier Performance Management program including: <ul style="list-style-type: none"> <li>* setting policies, guidelines, processes, tools and templates;</li> <li>* setting KPIs in the contract;</li> <li>* monitoring and reporting on supplier</li> </ul> </li> </ul> | 15/10/14                      |



| # | Issue | Effectiveness of initiatives | Comments | Respondent | Recommendations  | Timeframes for implementation                           |
|---|-------|------------------------------|----------|------------|--|---|
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>performance;</li> <li>* conducting supplier performance reviews; and</li> <li>* working with suppliers to drive continuous improvement.</li> </ul>  |   |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>• Introduces a Risk Management Program as part of an overall contract management framework; establish and maintains a risk log; establish a process for regularly reviewing risks; develop and monitor mitigation plans for serious risks.</li> </ul>   | 30/06/15  |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>• Mandate the use of Tenderlink as the primary source for obtaining tender documentation and the only current method of receiving Tenders.</li> </ul>   | Completed<br>12/08/13                                   |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>• Support the roll-out of eQuotes to manage and improve the effectiveness of Request for Quotation processes utilised by staff in the procurement of goods and services from WALGA Preferred Supply Panels and to ensure full transparency, probity and good governance over all Request processes. The City also consider the implementation of eQuotes as a tool for managing Requests for Quotation for the purchase of goods and services from suppliers on the City's local panels.</li> </ul> | Finding<br>Dismissed<br>Council<br>Decision<br>(309/14) |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>• Regular checks on contractual payments are undertaken, Consider building functionality into the Council's finance system to identify payments made against contracts versus non-contractual payments.</li> </ul>  | Ongoing   |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>• Consider revising the purchase-to-pay practices to ensure the effective separation of duties applies in order to reduce the potential risk of fraud and corrupt activities that may otherwise occur.</li> </ul>   | Completed<br>17/07/14                                   |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>• Implement a robust contract management framework to ensure that contract variations are centrally processed in accordance with contractual conditions.</li> </ul>   | Completed<br>12/08/13                                   |

| # | Issue | Effectiveness of initiatives | Comments | Respondent | Recommendations   | Timeframes for implementation |
|---|-------|------------------------------|----------|------------|---|-------------------------------|
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Adapt Procurement Templates provided in the 2013 edition of the WALGA Procurement Handbook as the reference resource for use by procurement staff for all procurement and contract management activities.</li> </ul>   | Completed<br>01/08/13         |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Procurement personnel are offered training in the correct conduct of a tendering process to eliminate any potential probity risks.</li> </ul>  | Completed<br>01/08/13         |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Adopt the Request for Quotation (RFQ) template provided in the 2013 edition of the WALGA Procurement Handbook as the reference resource for use by procurement staff for all procurement and contract management activities.</li> </ul>  | Completed<br>02/09/13         |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Develop a framework to assist staff to be involved in developing and issuing Requests for Quotation, including appropriate evaluation methods and consistency in the awarding of a contract resulting from an RFQ process.</li> </ul>  | Completed<br>02/09/13         |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Investigate opportunities to aggregate spend across major categories of local goods and services . Where existing aggregated supply arrangements such as WALGA Preferred Supply Panels or State Government CUAs do not exist, the City may look at competitively tendering for local goods and services that are currently purchased across a large number of suppliers.</li> </ul>              | 15/10/14                      |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Track schedule of rates for future contracts to allow comparisons with benchmark prices.</li> </ul>  | Ongoing                       |
|   |       |                              |          |            | <ul style="list-style-type: none"> <li>Where the City seeks to procure goods and services from pre -qualified WALGA Preferred Suppliers, all procurement should be undertaken through the WALGA Panel to ensure that the City receives a tender exemption, full contractual protection from WALGA, access to optimal pricing &amp; conditions of supply and a range of procurement benefits and administrative efficiencies.</li> </ul> | Completed<br>30/08/13         |

| # | Issue  | Effectiveness of initiatives | Comments   | Respondent              | Recommendations  | Timeframes for implementation |
|---|--|------------------------------|--|-------------------------|--|-------------------------------|
|   |  |                              |  |                         | <ul style="list-style-type: none"> <li>That prior to going to market for goods and services and/or to create local panels for categories, the City confirms whether a current WALGA Preferred Supply Panel is in place and if so, uses this arrangement where it meets the City's requirements.</li> </ul> | Completed 12/08/13            |
| 9 | Does the Audit Committee meet periodically with <ul style="list-style-type: none"> <li>key management;</li> <li>internal and external auditors;</li> <li>compliance staff</li> </ul> to understand and discuss any changes in the Council's control environment? | Adequate                     | <ul style="list-style-type: none"> <li>The Audit Committee meet annually.</li> <li>The Audit Committee Membership consists of five (5) Councillors, and support staff as required.</li> </ul> <p><b>Terms of Reference</b></p> <ul style="list-style-type: none"> <li>* The Audit Committee is to provide guidance and assistance to Council based on the following <i>Terms of Reference</i>:</li> <li>* To carry out Council's functions in relation to audits carried out under Part 7 (Audit) of the Local Government Act 1995</li> <li>* To develop a process to be used to select and appoint a person to be an Auditor.</li> <li>* The Audit Committee may also provide guidance and assistance to Council as to: <ul style="list-style-type: none"> <li>o Matters to be audited;</li> <li>o The scope of audits;</li> </ul> </li> <li>* Council's functions under Part 6 (Financial Management) of the Local Government Act 1995; and</li> <li>* The carrying out of Council's functions relating to other audits and other matters relating to financial management.</li> <li>* The Audit Committee may evaluate tenders received for the provision of audit services and report to Council with a recommendation for appointment of an auditor for the City of Bunbury and the Bunbury-Harvey Regional Council for the five financial years 2006/2007 to 2010/2011. [Note: Appointment of an auditor for the Bunbury-Harvey Regional Council will be subject to endorsement by that Body.</li> </ul> | Chief Executive Officer | N/A  | Ongoing                       |

| #  | Issue  | Effectiveness of initiatives | Comments   | Respondent              | Recommendations  | Timeframes for implementation |
|----|--|------------------------------|--|-------------------------|--|-------------------------------|
| 10 | Is the management of fraud and misconduct effective, with risks identified, analysed, evaluated, treated and reported. | Adequate                     | <b>All as per City of Bunbury</b> - Whilst it is acknowledged that fraud is difficult to detect, it is believed that appropriate financial controls exist and are independently verified. Any evidence of fraud and misconduct is immediately reported to the CEO.       | Chief Executive Officer | The external review by Grant Thornton each year on the Council's financial managements systems is maintained.  | Ongoing                       |
|    |  | Room for Improvement         | <b>All as per City of Bunbury</b> - The Council maintains a schedule of hierarchy for purchasing limits and reviews the purchasing and tendering policies in accordance with the Policy & Review Development Committee schedule.   |                         | As per the recommendation by WALGA under issue #8 <i>Introduce a Risk Management Program as part of an overall contract management framework; establish and maintains a risk log; establish a process for regularly reviewing risks; develop and monitor mitigation plans for serious risks.</i> | 30/06/15                      |
|    |  | Room for Improvement         | <b>All as per City of Bunbury</b> - The Council has recently reviewed and updated its Code of Conduct. The Code was considered by the Policy Review and Development Committee at its meeting on 16 October and will be presented to Council for adoption on 11 November. |                         | Reissue Code to staff with mandatory acknowledgement.  | 12/14                         |
|    |  | Room for Improvement         | <b>All as per City of Bunbury</b> - Council's Fraud Control Plan   |                         | Based on the adopted Risk Management Framework, prepare and implement a Council Fraud Control Plan.  | 01/12/15                      |

## Internal Control

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations.

| # | Issue  | Effectiveness of Initiative                       | Comment   | Respondent   | Recommendation  | Timeframes for implementation                 |
|---|--|---|---|--|---|---|
| 1 | Review separation of roles and functions, processing and authorisation controls.         | All as per City of Bunbury - Adequate             | <ul style="list-style-type: none"> <li>Council maintains an up-to-date register of delegations.</li> <li>Documentation of designated employees is maintained and kept up-to-date.</li> <li>Procedures are in place to authorise employees as required by legislation.</li> <li>Procedures are in place to ensure designated employees are informed and aware of their responsibilities.</li> <li>Separation of financial duties and responsibilities is reviewed annually by Auditors Grant Thornton during the interim audit</li> </ul>  | <p>Senior Governance and Risk Officer and Chief Executive Officer</p> <p>Manager Finance and Chief Executive Officer</p> | <ul style="list-style-type: none"> <li>Thorough annual review of delegations by ELT prior to presentation of Register to Policy Review and Development Committee and consideration by Council</li> <li>Review and refine induction procedures</li> </ul> <p>Segregation of duties is considered appropriate</p> | <p>31/03/15</p> <p>Ongoing</p> <p>Ongoing</p> |
| 2 | Is there a control of approval of documents, letters and financial records?              | All as per City of Bunbury - Room for improvement | <ul style="list-style-type: none"> <li>All documents created and stored by the Council are governed in accordance with the State Records Act of Western Australia, including the Record Keeping Plan.</li> <li>The Council is currently working with both paper based and electronic records. These documents are controlled within two electronic document management systems – although in future the Council will only use one. Users have access to these systems and documents are controlled in accordance with security privileges determined by their role within the organisation.</li> <li>Financial records are covered by the aforementioned controls.</li> </ul> | Manager Information, Libraries & Customer Support and Chief Executive Officer and Chief Executive Officer                | The Council recognises that more work needs to be done in relation to the creation and control of records. It is expected that these measures will be implemented as part of the current document management system deployment.   | 30/12/16                                      |
| 3 | Does the Council have current security controls in respect to physical access to records | All as per City of Bunbury - Adequate             | <p>The Council has the following security controls in place:</p> <ul style="list-style-type: none"> <li>HR Information can only be accessed by staff within the HR Department.</li> <li>Highly sensitive documents are managed through the CEO's office.</li> <li>At the present time, access to the Council's physical paper based information is managed through the Council's EDMS system, Trim.</li> </ul>  | Manager Information, Libraries & Customer Support and Chief Executive Officer  |   | Ongoing                                       |

| # | Issue  | Effectiveness of Initiative           | Comment  | Respondent   | Recommendation   | Timeframes for implementation |
|---|--|---------------------------------------|--|--|--|-------------------------------|
| 4 | Does the Council have security controls in respect to computer applications and information systems (general and application IT controls). | All as per City of Bunbury - Adequate | <ul style="list-style-type: none"> <li>The Council utilises a broad range of controls designed to protect the information systems and the data that is contained while providing as much flexibility to the users as possible.</li> <li>The virtualisation of desktop systems has allowed control of applications using efficient and quick mechanisms.</li> <li>Staff do not have administration level access to install applications etc. and what they have access to see and modify is controlled as well.</li> <li>Other general controls such as password complexity and change repetition are also employed.</li> <li>Access to the Internet is also filtered to prevent use of material that is not desired for standard business activities.</li> </ul> | Manager Information & Technology and Chief Executive Officer |  | Ongoing                       |
| 5 | Does the Council have access limits placed on data files and systems (to make changes).  | All as per City of Bunbury - Adequate | <ul style="list-style-type: none"> <li>The Council utilises limits on email systems to ensure that users email is maintained at acceptable sizes and catalogued into the Document Management System (myDocs).</li> <li>With regards to file level access this has been reduced with the transition to using the myDocs system resulting in a more structured approach to the data that is generated. The remaining file shares are limited and monitored using quota management software.</li> <li>As part to the virtualisation of server hardware that the Council has embarked on, centralisation of these file shares have resulted in more efficient management of the file share data.</li> </ul>  | Manager Information & Technology and Chief Executive Officer |  | Ongoing                       |
| 6 | Is the maintenance and review of financial control accounts and trial balances regular and appropriate?                                    | All as per City of Bunbury - Adequate | <ul style="list-style-type: none"> <li>Monthly financial report includes completing check lists to ensure control accounts and trial balances remain in balance and reconciled.</li> <li>Monthly financial report presented to Council.</li> <li>October and February budget reviews.</li> <li>Monthly report includes income and expenditure forecasts to 30 June.</li> </ul>   | Manager Finance and Chief Executive Officer                  |  | Ongoing                       |
| 7 | Are management internal reviews undertaken in respect to comparison and analysis of financial results with budgeted amounts?               | All as per City of Bunbury - Adequate | <p>Independent auditors are engaged to undertake annual independent audits of the financial statements.</p> <p>12/13 Audit includes:</p> <ul style="list-style-type: none"> <li>examination, on a test basis, of evidence</li> </ul>   | Manager Finance and Chief Executive Officer                  | <p>Outcome:</p> <ul style="list-style-type: none"> <li>The status of the accounting records is of an appropriate standard; no significant issues that warrant reporting to the Council were noted.</li> <li>No uncorrected audit differences that</li> </ul> |                               |

| # | Issue | Effectiveness of Initiative | Comment  | Respondent | Recommendation  | Timeframes for implementation   |
|---|-------|-----------------------------|--|------------|---|---|
|   |       |                             | <p>supporting the amounts and other disclosures in the financial statements</p> <ul style="list-style-type: none"> <li>• evaluation of the appropriateness of the financial reporting framework, accounting policies used</li> <li>• the reasonableness of accounting estimates made by management</li> <li>• evaluation of the overall financial statement presentation.</li> </ul> <p>An opinion is formed on whether in all material respects the annual financial report complies with Council's direction including:</p> <ul style="list-style-type: none"> <li>• Giving a fair view of the financial position and performance as represented by the results of the operations and cash flows of the Council</li> <li>• Complying with Australian Accounting Standards including the Australian Accounting Interpretations to the extent they apply to this audit.</li> <li>• Are prepared in accordance with the requirements of the Local Government Act 1995 part 6 (as amended) and Regulations under that Act.</li> </ul> <p>The findings were presented in report dated 31 October 2013 to the Audit committee.</p> |            | <p>could, in our judgement, either individually or in aggregate have a significant effect on the financial report for the year ended 30 June 2013 were identified.</p> <ul style="list-style-type: none"> <li>• There is no net effect of the unadjusted differences identified on the net result.</li> </ul> <p>Three (3) internal control observations/recommendations were raised following the audit. The issues were not deemed material enough to warrant a qualification to the audit report; however they were raised for attention.</p> <ul style="list-style-type: none"> <li>• Management have a process in place to review payments made and invoices received after the year end. However, it is suggested that management also review any on-going projects to ensure any issues are addressed going forward; especially considering that stage payments for projects can be for significant amounts.</li> <li>• The audit committee is currently made up of the Mayor and two other councillors, none of which have financial expertise. The audit committee is a good control to have in place to monitor the financials and budgets throughout the year and hence financial expertise within the committee is important.</li> <li>• There are no formal requirements for Management to report to the audit committee for approval of non-audit services that are to be carried out by Grant Thornton as external auditors. However, it is noted that even though it is not currently required, any such decisions are being reported to the committee to ensure that they are aware and can object if deemed necessary.</li> </ul> | <p>Completed 31/10/13</p> <p>Completed 18/03/14 (Council Decision 38/14 &amp; 90/14)</p> <p>Ongoing</p> |

| #  | Issue   | Effectiveness of Initiative | Comment   | Respondent      | Recommendation   | Timeframes for implementation |
|----|---|-----------------------------|---|-----------------|--|-------------------------------|
| 8  | Assess controls in respect to purchasing and payment of accounts?                     | Adequate                    | May 2014 - Independent auditors (Grant Thornton) undertook a financial management systems review in accordance with Regulation 5(1) of the <i>Local Government (Financial Management) Regulations 1996</i> .  | Manager Finance | The final report indicated that no areas of concern or weakness were identified across any of the areas audited. | Ongoing                       |
| 9  | Assess reporting, review and approval of financial payments and reconciliations.      |                             |   |                 |  |                               |
| 10 | Assess physical cash and inventory count records when compared to accounting records. |                             | <p>Areas reviewed included:</p> <ul style="list-style-type: none"> <li>• Purchases/Payments/Payables;</li> <li>• Receipts/Receivables/Cash Management</li> <li>• Payroll</li> <li>• Rates</li> <li>• Other Revenue; and</li> <li>• Fixed Assets.</li> </ul> |                 |  |                               |



## Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements.

| # | Issue  | Effectiveness of initiative | Comment   | Respondent              | Recommendations  | Timeframes for implementation |
|---|--|-----------------------------|---|-------------------------|--|-------------------------------|
| 1 | Is internal monitoring of compliance with legislation and regulations conducted?   | Adequate                    | <ul style="list-style-type: none"> <li>Yearly completion of Statutory Compliance Audit Report.</li> </ul>   | Chief Executive Officer | <ul style="list-style-type: none"> <li>Implement a Governance calendar/legislative compliance risk register.</li> <li>Adopt a formal policy outlining the Council's commitment to comply with legislative requirements.</li> </ul> | 30/06/15                      |
|   |  |                             | <ul style="list-style-type: none"> <li>Annual review of Delegations Register.</li> <li>Content of Gift Register maintained.</li> <li>Content of Register of Financial Interests maintained.</li> <li>Content of Register of Complaints maintained</li> <li>Content of Annual Report in accordance with the <i>Local Government Act 1995</i> and associated regulations.</li> </ul>  | Chief Executive Officer |  | 02/15                         |
|   |  |                             | <ul style="list-style-type: none"> <li>Review of Authorised Officers is undertaken when new Authorised Officers are employed or at various stages when legislation changes or new legislation is introduced.</li> </ul>   | Chief Executive Officer |  | Ongoing                       |
|   |  |                             | <ul style="list-style-type: none"> <li>Regular monitoring of legislative compliance is conducted when new Authorised Officers are employed, when legislation changes or new legislation is introduced. Information relating to changes in relevant legislation or the introduction of new legislation is obtained via circulars provided by the Dept. Local Government, State Law Publisher or various professional organisations and relevant Associations i.e. WA Rangers Association, IPAA.</li> </ul> |                         |  |                               |
| 2 | Does the Council complete the annual Compliance Audit Return and report the results of that review to the Audit Committee and Council? | Adequate                    | <ul style="list-style-type: none"> <li>Yearly Compliance Audit Report (CAR) completed in accordance with legislation and adopted by Council accordingly.</li> </ul>   | Chief Executive Officer |  |                               |
|   |  |                             | <ul style="list-style-type: none"> <li>Completion of the relevant sections of the Return effectively requires a number of ad-hoc internal audits, which assist the Council to ensure that operations meet the statutory requirements of the <i>Local Government Act 1995</i> and associated Regulations.</li> </ul>   |                         |  |                               |

| # | Issue  | Effectiveness of initiative | Comment   | Respondent   | Recommendations   | Timeframes for implementation |
|---|--|-----------------------------|---|--|---|-------------------------------|
|   |  |                             | <ul style="list-style-type: none"> <li>The Audit Committee reviewed the CAR at its meeting on 25 February 2014 and as a result recommended Council adopt the Statutory Compliance Audit Return for the City of Bunbury for the period 1 January 2013 to 31 December 2013 (Council Decision 83/14).</li> </ul>   |  |   |                               |
| 3 | Does the management and the Audit Committee communicate to ensure the Audit Committee is informed in respect to the effectiveness of the Council's compliance and recommendations for changes as required?   | Room for improvement        | <ul style="list-style-type: none"> <li>Minutes of meetings are recorded and presented to Council for notation. Individual reports are presented to Council for consideration and recommendation. Council decisions are captured in Sycle and monitored for action.</li> </ul>   | Chief Executive Officer                                | <ul style="list-style-type: none"> <li>Risk to Audit Committee Report insurance/possible claims updates to Audit Committee</li> </ul> | 30/06/15                      |
| 4 | Are the Council's procedures in respect to receiving, retaining and handling compliances, including confidential and anonymous employee complaints adequate and complaint?   | Adequate                    | <ul style="list-style-type: none"> <li>Updated 2014 Code of Conduct sets out procedures for handling employee complaints.</li> <li>Procedures for dealing with Councillor breach or complaints are dealt with according to the Act.</li> <li>Throughout 2014 procedures for receipting of Primary and Annual Returns have been refined and are in accordance with the Act and regulations.</li> </ul> | Chief Executive Officer<br><br>Chief Executive Officer | <ul style="list-style-type: none"> <li>Reviewed Code of Conduct</li> </ul>  | 30/06/2015<br><br>Ongoing     |
| 5 | Review management disclosures in financial reports of the effect of significant compliance issues (if any).  | Adequate                    | <ul style="list-style-type: none"> <li>The independent auditor, Grant Thornton is required to report any identified significant compliance issue.</li> <li>No significant compliance issues have been identified by external auditors.</li> </ul>   | Manager Finance and Chief Executive Officer            |   |                               |
| 6 | Does the Audit Committee's processes and procedures complaint, ensuring no misuse of position through adequate disclosure of conflict of interest, y compliance complaint?   | Adequate                    | <ul style="list-style-type: none"> <li>Councillors inducted to the City of Bunbury and Shire of Harvey</li> <li>Declarations of impartiality/financial interests recorded.</li> <li>Primary and Annual Returns required.</li> </ul>   | Chief Executive Officer                                | <ul style="list-style-type: none"> <li>Review Councillor inductions</li> <li>Review Community Member inductions</li> </ul>            | 01/09/15<br>01/09/15          |
| 7 | Assess the Council's compliance frameworks dealing with relevant external legislation and regulatory requirements<br><br>Interpreted as "How do we ensure that employees are administering the requirements of current legislation and regulations". | Adequate                    | <ul style="list-style-type: none"> <li>Standard operating procedures</li> <li>Council Policies and corporate guidelines</li> <li>Training of employees</li> <li>Use of Department Circulars</li> <li>Liaison with regulatory bodies to provide current and anticipatory information</li> </ul>  | Chief Executive Officer                                |   |                               |