



Regulation 17 review of appropriateness and effectiveness of the systems and procedures in relation to Risk Management, Internal Control and Legislative Compliance

26th October 2018

Bunbury Harvey Regional Council (BHRC) Management is responsible for establishing and maintaining an effective system of internal control. The Chief Executive Officer (CEO) is to oversee these controls and to review the effectiveness of the system as a whole.

An effective internal control system provides reasonable assurance that policies, processes, tasks, behaviours and other aspects of an organisation, taken together, facilitate its effective and efficient operation, help to ensure the quality of internal and external reporting, and help to ensure compliance with applicable rules and regulations.

Internal controls should be used to maintain the risks facing the council within tolerance levels, bearing cost-benefit considerations in mind. The audit committee should be satisfied that proper control policies, procedures and activities have been established and are operating as intended.

The performance of the system of internal control is assessed through ongoing monitoring activities and separate evaluations such as this audit. A procedure for monitoring the appropriateness and effectiveness of the identified controls has not been implemented at this time. While effective monitoring throughout the organisation is an essential component of a sound system of internal control, council cannot rely solely on embedded monitoring processes to discharge its responsibilities.

For this audit, internal control is defined as a system designed to ensure:

- Compliance with laws and regulations;
- Application of the instructions and policies fixed by management;
- That the internal processes are functioning correctly, in particular;

This system must also contribute to the control over its activities, the efficiency of its operations and efficient use of its resources, while enabling the BHRC to adequately take into account significant operational, financial or compliance risks. Therefore, the internal control system plays a key role in conducting and monitoring its activities.

It should be noted that BHRC is aware that the internal control system cannot provide an absolute guarantee that the council objectives will be met and that all the potential risks it may face will be controlled.

Legislative Compliance

Local Government (Audit) Regulations 1996 Section 17 sets out the following:

17. CEO to review certain systems and procedures

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

(a) Risk management; and

(b) Internal control; and

(c) Legislative compliance.

(2) The review may relate to any or all of the matters referred to in sub-regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.

(3) The CEO is to report to the audit committee the results of that review.

This audit was on the Internal Control System and was conducted 26th October 2018.



Tony Battersby

Chief Executive Officer

Risk Management

Bunbury Harvey Regional Council is committed to establishing a sound system of risk management to identify, assess, monitor and manage risks related to the conduct of our operations.

#	Issue	Score	Comments	Respondent	Timeframe
1	Are the Council's risk management system's effective and material operating risks considered appropriately?	NC	BHRC is working towards developing an effective risk management system with a number of strategies already in place to assist. Outcome: Complete Risk Management Framework and implement. C Continue to update the Risk Register.	Compliance Officer	2019
2	Is the Council's disaster recovery plan current, effective and tested?	NC	Emergency Management Plan only available for the Banksia Road Organics Processing Facility. Emergency Evacuations Procedures in use for both sites and each section of Stanley Road Waste Management Facility (SRWMF). Outcome: Complete framework for Disaster Recovery Plan. Complete Emergency Management Plan for SRWMF.	Compliance Officer	2019
3	Are Council's internal processes for managing operational risks in accordance with the following: <ul style="list-style-type: none"> Potential non-compliance with legislation, regulations and policies; Judgements or estimates that prove to be wrong; Litigations or claims; Misconduct, fraud or theft; Significant business risks. 	C	<ul style="list-style-type: none"> Completion of statutory compliance audit report enables identification of any potential non-compliance with legislation, regulations and policies. All purchases have a budget allocation. Comprehensive insurance cover provided by LGIS. Independent auditor engaged annually to complete a comprehensive review of financial management systems. OSH Risk Register and Environmental Management Plan implemented. Outcome: Complete Risk Management Framework. Update OSH Risk Register identifying new risks.	Chief Executive Officer / Safety Advisor	Ongoing
4	Are risk reports available outlining: key risks, status of the management system, risks monitored and new risks identified.	I	Risk register available. Outcome: Register needs to be updated with new risks highlighted.	Safety Advisor	Ongoing
5	Are Council's processes adequate to manage insurable risk?	C	Annual Insurance Review with LGIS	Chief Executive Officer	Completed
6	Are there controls in place to manage	C	Following financial controls in place:	CEO / Finance	Completed

	transactions that might carry more than acceptable risk?		<ul style="list-style-type: none"> • Purchasing limits; • Expenditure is compared to budget estimates; • Budget reviews carried out in February and October each year; • Monthly financial report presented to Council; • CEO and Financial Officer review monthly transactions independently; • Controls reviewed by third party auditor yearly. <p>Outcome: Financial controls have been updated since the last annual third party audit and are considered to be adequate.</p>	Manager	
7	Assess the council's procurement framework against: <ul style="list-style-type: none"> • Probity • Transparency • Policies and procedures 	C	<p>Tendering and purchasing streamlined with updated Purchasing Policy and Procedures. Templates created to ensure consistency.</p> <p>Outcome: Purchasing Policy and procedures updated.</p>	Compliance Officer	Completed
8	Is the management of fraud and misconduct effective?	I	<p>Appropriate controls exist regarding procurement with financial transactions approved by the CEO and reviewed by the Finance Manager. Code of Conduct procedure implemented.</p> <p>Outcome: Risk management framework to be implemented. Code of Conduct to be reviewed.</p>	Compliance Officer	2019

Internal Controls

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

#	Issue	Score	Comments	Respondent	Timeframe
1	Does council have an Internal control system that involves policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of	NC	<p>Current Policies and Procedures include but not limited to:</p> <ul style="list-style-type: none"> • Document Control • Risk Assessment and Risk Registers • Emergency Management • Environmental Management • Injury Management • Inductions • Harassment and Discrimination 	Compliance Officer	2018

the local government.		<ul style="list-style-type: none"> Complaints Management Delegated Authority Training Matrix Delegated Authority <p>Outcome: Develop and implement an Internal Control Policy to help formalise councils commitment to Internal Controls based on risk management principles tying all policies and procedures together.</p>		
	C	<p>Financial Management.</p> <ul style="list-style-type: none"> Systems reviewed in accordance with Regulation 5(1) of the <i>Local Government (Financial Management) Regulations 1996</i> undertaken by the Officer of the Auditor General for the period ending 30 June 2018. <p>Outcome: Issues highlighted in the previous Annual Report have been reviewed and updated to ensure that all relevant items are included in the 2018 Annual Report.</p>		Completed
	I	<p>Human Resources.</p> <ul style="list-style-type: none"> Identification of HR requirements including identification of new positions, advertising and interviewing. <p>Outcome: Workforce Plan implemented and Position Descriptions updated.</p>		Review 2018
	C	<ul style="list-style-type: none"> Leave accruals including the use of application for leave forms, timesheet authorisation, processing and reconciliation to be reviewed on a regular basis. <p>Outcome: Reviewed quarterly.</p>		Complete
	C	<ul style="list-style-type: none"> Training of staff Staff development <p>Outcome: Workforce Plan and Training matrix implemented.</p>		
	I	<ul style="list-style-type: none"> Induction procedures to be updated for SRWMF to include all staff. <p>Outcome: Currently only new staff have the full induction. Include all staffs in the Induction process.</p>		Ongoing

		C	<p>Financial Controls.</p> <ul style="list-style-type: none"> No documented procedures for Credit Cards and Petty Cash. <p>Outcome: New policies and procedures formalised.</p>		Completed
2	Is there a control of approval from all documents created?	C	<p>All documents created and stored by council are governed in accordance with the State Records Act WA and controlled as per procedure.</p> <p>Outcome: Procedure A002 Document Control implemented.</p>		Completed
3	Are current security access controls in respect to records access adequate?	C	<p>Only management and administration staffs have access to the secured onsite storage of records. Access to site, compounds and/or machinery on a key system.</p>		N/A
4	Are current security controls in respect to computer applications and information systems adequate?	NC	<p>Current IT system supplied by the City of Bunbury under contract. Limitations include:</p> <ul style="list-style-type: none"> Staff access to information stored on COB 'N' Drive. All employees of BHRC that have computer access and selected employees from COB have access to the BHRC drive. Currently COB unable to supply 'confidential' drive. Accounting, purchase orders and HR controlled by COB which can cause delay in processing payments, <p>Outcome: Look at requirements for BHRC to completely control the IT System including our-sourcing from COB.</p>		2018/2019
5	Are there ongoing review processes embedded within the organisation's operations that monitor the effective application of the policies, processes and activities related to internal control and risk management?		<p>All Policies have document control measures that allow for review, update schedules, version number and responsible person.</p> <p>Outcome: Procedure A002 Document Control implemented.</p>		N/A
6	Do these processes monitor the organisation's ability to re-evaluate risks and adjust controls effectively in response to changes in its objectives, business, external environment and other changes in risk and control assessments?		<p>Any employees may initiate requests for a new or revised document.</p> <p>Outcome: Procedure A002 Document Control implemented.</p>		N/A
7	Does management have clear		While the Safety Management has clear strategies for identifying and		Ongoing

	strategies for dealing with the significant risks identified? Are internal control actions defined for all significant risks that have been identified?		controlling risks, these are not always completed on the appropriate paperwork. When a hazard is identified it is normally assessed immediately by the employee and controls put in place. Safety Management System Policy <ul style="list-style-type: none"> • Risk Management & the Hazard Register • Risk Management Process • The OSH Hazard Risk Register • Workplace Hazard Inspections Outcome: Update Risk Register.		
8	Are processes/controls adjusted to reflect new or changing risks, or operational deficiencies?	C	Occupational safety and health hazards and their associated risks can be triggered for review when any change affects work activities. This includes but is not limited to: <ul style="list-style-type: none"> • Changes to work practices, procedures or the working environment; • Purchase of new substances and products; • Planning to improve productivity or reduce costs; • New information about workplace risks becoming available; • Responding to workplace hazards, injury or incident. Responding to concerns raised by workers or others at the workplace. Outcome: Procedure QMS004 Hazard/Risk Management implemented.		N/A
9	Through their actions and policies, does management demonstrate the necessary commitment to competence and integrity within the organisation?	C	All employees will act, and be seen to act, properly and in accordance with the requirements of the law and the terms of the Code of Conduct. Outcome: Code of Conduct, Job Descriptions and Performance Reviews.		N/A
10	Is authority and responsibility clearly defined and segregated? Are the decisions and actions of different parts of the organisation appropriately coordinated?	C	Currently covered in all Job Descriptions		N/A
11	Does management receive timely, relevant, reliable reports on risk and internal control?	C	CEO consultation conducted with OSH Advisor/ Compliance Office, Site Supervisor and Team Leader. Outcome: Meetings conducted include:		N/A

			<ul style="list-style-type: none"> • Monthly staff meeting • Bi-monthly Safety Committee meeting • Daily supervisors meeting 		
12	Is management's self-assessment process adequately managed, formalized and tested by internal audit?		Currently no formal Internal Audit process in place. Currently only tested at review or if an issue is highlighted. Outcome: Consider and internal audit schedule.	Compliance Officer	2019
13	Does council maintain and review financial control accounts and trial balances?	C	All financial transactions reviewed monthly and presented to council.		N/A
14	Are there comparisons of the result of physical cash and petty cash and inventory completed?	C	Cash checked against Mandalay software. Petty cash reconciled monthly.		N/A

Legislative Compliance

Legislation to improve accountability, performance and standards for Local Government

#	Issue	Score	Comments	Respondent	Timeframe
1	Is internal monitoring of compliance with legislation and regulations conducted?	C	<ul style="list-style-type: none"> • Yearly completion of Statutory Compliance Audit Report completed. • Annual review of Delegations Register. • Gift register maintained. • Complaints register maintained. • Annual Report completed for both sites in accordance with the <i>Local Government Act 1995</i>. • Regular monitoring of legislative compliance obtained via circulars provided by the Department of Local Government and other relevant organisations. • Independent end of financial year audits conducted in accordance to Australian Auditing Standards. 		N/A
2	Does council monitor compliance with legislation and regulations?		Council reviews Annual Compliance Return and Financial Statements and makes recommendations.		N/A
3	Is the Annual Compliance Audit Return made available for review by council?	C	Presented to the Audit committee who then makes a recommendation to council within the required timeframe.		N/A

4	Does management monitor the effectiveness of its compliance and make recommendations for change if requires?	C	The audit committee has the ability to make recommendations to council with respect to any issue. Report is issued to council for review prior to submitting.		N/A
5	Does council have adequate policies and procedures to receive, retain and treat complaints including confidential and anonymous employee complaints?	C	Council has adequate policies and procedures in place.		N/A
6	Does council review management disclosures in financial reports of the effect of significant compliance issues.	C	Financial reports presented to council on a monthly basis for review.		N/A
7	Do the internal/external auditors have regard to compliance and ethics in the development of their audit plan and in the conduct of audit projects and report compliance and ethics issues to the audit committee?	C	BHRC does not currently have an internal audit schedule at this time. External auditor assigned by the Auditor General.		N/A