



BUNBURY HARVEY
REGIONAL COUNCIL
HARVESTING RESOURCES FROM YOUR WASTE

REGULATION 17 REVIEW

Regulation 17 of the *Local Government (Audit) Regulations* (the “Audit Regulations”) requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to:

- risk management;
- internal control; and
- legislative compliance.

There are no mandatory or minimum requirements for conducting the Regulation 17 CEO review, therefore, the review has not been exhaustive in its scope or extent, but rather been conducted from a strategic and whole of organisation perspective.

Risk Management

The Bunbury Harvey Regional Council’s (BHRC) formal risk management system is outlined in the Policy; *Risk Management* and the corresponding Procedure; *Hazard and Risk Management*.

The objectives of these documents are to ensure that BHRC, its officers and workers comply with all relevant legislation, Australian Standards, approved Codes of Practices and policies and procedures relating to the management of hazards and risks in our workplace. This framework contains the BHRC’s risk reference tables, risk tolerance levels, and the risk management processes as outlined in the procedure.

Risk Management principles are applied to decision making through all levels of the organisation in relation to planning or executing any function, service, or activity. In particular, it will be applied to:

- Strategic planning;
- Expenditure of large amounts of money;
- New strategies and procedures;
- Management of projects, tenders, and proposals; and
- Introducing significant change.

Risks and hazards are most commonly identified at an operational level as they arise during the day, although this process is rarely formalized. Risks and hazards are also identified during a safety inspection and are formalized and acted upon in the agreed time.

All identified risks are assessed to determine residual risk rating considering any current control measures already in place. They are assessed as Low, Moderate, High, and Extreme dependent on the likelihood of an incident occurring resulting in a specific consequence.

The relevant supervisor will decide if the level of risk is acceptable, if not, a treatment plan is put in place to control the risk. This can be completed with the Safety Advisor, Health and Safety Committee or both as deemed appropriate.

Considering the complexity of the operations and the level of resources, the risk management processes are considered appropriate. With limited direct risk management resourcing it is considered important that action aimed at recording Risks and Hazards be further enhanced.

Internal Control

Internal control is a key factor in ensuring that the Council is effectively and efficiently managed and that its resources are not misused or misappropriated. These controls are integral to the effective risk management of activities and to ensure there are appropriate policies and procedures that promote the achievement of Council's goals and objectives.

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of the BHRC.

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.

Aspects of an effective control framework include:

- delegation of authority;
- documented policies and procedures;
- trained and qualified employees;
- system controls;
- effective policy and process review;
- regular internal audits;
- documentation of risk identification and assessment; and
- regular liaison with auditor and legal advisors.

In May 2019 as highlighted in the previous Regulation 17 review, BHRC developed and implement an Internal Control Policy. This will help formalize council's commitment to Internal Controls based on risk management principles tying all policies and procedures together.

The Local Government Operational Guideline acknowledges that the extent to which internal controls are implemented, monitored, and reviewed will be impacted by the size and nature of individual local governments. Therefore, a review against the criteria listed above has concluded that the BHRC has demonstrated effective systems in place although some instances have been identified whereby the formal documentation of associated processes and procedures needs to occur.

Legislative Compliance

When reviewing systems and processes around legislative compliance, I have considered the outcome of the Annual Statutory Compliance Audit Return, conducted in March. This return was presented to Council at its ordinary meeting held on 26th March 2020 and approved. The high level of statutory compliance noted in the Annual Statutory Compliance Audit Return should give confidence in the internal systems and procedures of the BHRC which are aimed to ensure legislative compliance.

In order to provide further assurance, BHRC is developing a systematic process through which legislated requirements are identified, responsibilities for compliance is allocated and the compliance activities are validated and reported against.

Due to the presence of the above, the BHRC's existing policies, procedures and systems relating to Legislative Compliance are considered to be largely appropriate and effective.

Findings reported are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with best practice.

The following tables provide a summary of the findings raised in this report:

	Compliant	Low	Moderate	High	Extreme
Number of Reports Issued	15	5	9	3	0

This audit was conducted 15th December 2020.



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	COMMENTS	RISK
1	Risk Management Framework	While there is clearly Risk Management Framework in place, with limited direct risk management resourcing it is considered important that action aimed at recording Risks and Hazards be further enhanced.	HIGH
		Appropriate controls exist regarding procurement and financial transactions.	C
		Cash Handling procedure requires updating after the implementation of the CDS.	MOD
2	Disaster Recovery	Work has commenced on a Disaster Recovery Plan but with the expansion of SRWMF, it will need to be reassessed and altered.	HIGH
		Bushfire Management and Emergency Management plans exist for each separate area of the BHRC, consider organisational wide management plans	LOW
3	Internal Processes	Completion of statutory compliance audit report is completed as required.	C
		All purchases require a purchase order, and this is not always completed correctly.	MOD
4	Insurable Risk	Mitigation, litigation and claims comprehensive cover supplied by LGIS.	C
		Insurance Claims Register contains limited information, is not up to date, and does not include Workers Compensation.	MOD
5	Project Management	No Project Management Framework exists, although it is noted that major projects are contracted, and contract management is the responsibility of the contractor in consultation with BHRC management. Consider more formal Project Management.	MOD
6	Probity and transparency	Information about activities and governance is made available upon request to stakeholders in a timely way.	C

Internal Controls

Internal control is a key factor in ensuring that the Council is effectively and efficiently managed and that its resources are not misused or misappropriated. 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	COMMENTS	RISK
1	Financial Reporting	All BHRC financial requirements currently managed by the City of Bunbury under their own legislative conditions.	LOW
2	Financial Management	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 with issues highlighted reviewed and updated.	LOW
3	Legislative Compliance	SRWMF and BROPF managed in accordance with the licenses issued by the DWER.	C
		Documents controls as required in line with the Records Management Plan approved by the State Records Act.	C
		Occupational Health and Safety policy is compliant with the Act. Work is continuing on more comprehensive procedures and safety management.	LOW
		Bushfire Management Plans exist, and work still needs to be completed in the lead up to construction of the Administration Building and Compost facility.	MOD
4	Human Resources	Current Workforce Plan is being updated.	MOD
		All leave required to have appropriate form attached.	MOD
		Authority and responsibility are clearly defined and segregated in job descriptions.	C
5	Document Controls	Documents controls as required in line with the procedure.	C
		Procedures govern new document creation.	C
		Security controls are on all documents that allow for review, update schedules, version number, and responsible person.	C

6	Security Controls	Control of Information Technology is now directly managed by the BHRC through contract with external third party which is compliant with Local Government Regulations.	C
		Access to information is controlled to a certain extent, only to the people that require it. More work being done to secure the network. Not everyone should have access to all information stored on the drive.	MOD
7	Conduct	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.	C
8	Internal Audit	Currently no formal procedure is in place for conducting Internal Audits. Consider implementing a formal process for Internal Audits.	MOD

Legislative Compliance

Legislation to improve accountability, performance, and standards for Local Government.

	ISSUE	COMMENTS	RISK
1	Monitoring Compliance	BHRC is developing a systematic process through which legislated requirements are identified, responsibilities for compliance is allocated and the compliance activities are validated and reported against.	High
		Statutory reporting is completed as required including but not limited to: <ul style="list-style-type: none"> • Compliance Audit Report; • Annual Compliance Report; • Annual Environment Report; • Waste Plan. Above reports are presented to Council for approval.	C
		Regular monitoring of compliance obtained via circulars provided by the relevant government departments, Australian Auditing Standards, and the International Organisation for Standardization.	C
		IT contractor has all compliance controls in place as required to maintain security of all electronic information. Hard copy documents collected and maintained in line with the Records Management Plan.	C
2	Complaints Management	A Complaints folder is maintained electronically although it is not always used. More work needs to be done here to ensure that all staff complete relevant documentation and store documents according to the Complaints Management Policy and Procedures.	LOW