



## **EASTERN WASTE MANAGEMENT AUTHORITY**

### **AGENDA**

#### **ORDINARY MEETING OF THE BOARD OF MANAGEMENT**

**Meeting to be held on Thursday 26 April 2018 commencing at 5:30pm,  
at the City of Norwood, Payneham & St Peters, 175 The Parade, Norwood**

**1. PRESENT**

**2. APOLOGIES**

**3. CONFIRMATION OF THE MINUTES**

**RECOMMENDED:**

**1.** That the Minutes of the Eastern Waste Management Authority Special Board Meeting held on Thursday 22 March 2018, be received, confirmed and adopted.

**2.** That the Minutes of the Eastern Waste Management Authority Audit and Risk Management Committee Meeting held on Wednesday 18 April 2018, be received, confirmed and adopted.

**4. CONFLICTS OF INTEREST**

**5. MATTERS ARISING FROM THE MINUTES**

**6. QUESTIONS WITHOUT NOTICE**

**7. REPORTS**

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**9. OTHER BUSINESS**

**10. NEXT MEETING OF THE BOARD**

The next Board Meeting is to be held on:  
Thursday 28 June, 2018, commencing 5:30pm  
at the City of Norwood, Payneham & St Peters, 175 The Parade, Norwood

**11. CLOSURE OF MEETING**



**MINUTES OF THE MEETING OF THE AUDIT & RISK MANAGEMENT COMMITTEE  
OF THE EASTERN WASTE MANAGEMENT AUTHORITY**

held on Wednesday 18 April 2018 at Chairman's Boardroom, 1101/147 Pirie Street, Adelaide

**WELCOME**

Meeting opened at 8.31am

**1. PRESENT**

Mr Brian Cunningham	Independent Chairperson
Mr Leigh Hall	Independent Member
Cr Karen Hockley	Committee Member
Mr Mario Barone	Committee Member

**IN ATTENDANCE**

Mr Rob Gregory	General Manager
Mr Shane Raymond	Manager, Corporate Services

**2. APOLOGIES**

Mr Tim Muhlhausler	Independent Member
Mr John Jovicevic	Dean Newbery & Partners

**3. CONFIRMATION OF THE MINUTES – 13 February 2018**

Moved Cr Hockley that the Minutes of the previous meeting held on Tuesday 13 February 2018 be received and noted.

Seconded Mr Hall

**Carried**

**4a. MATTERS ARISING FROM THE MINUTES**

Nil

**4. STAFF REPORTS**

**4.1 FINANCIAL REPORT: MARCH QUARTER + BUDGET REVIEW THREE**

Moved Cr Hockley that the Committee:

1. Recommends that the March Quarter 2017 Financial Report is received and recommended to the East Waste Board for endorsement;
2. Notes and accepts the movements associated with the 2017/18 Budget Review Three and recommends to the East Waste Board for endorsement.

Seconded Mr Hall

**Carried**

**4.2 PAYROLL AND ACCOUNTS PAYABLE AUDITS**

Moved Cr Hockley that the Committee:

1. Recommends that the Accounts Payable Internal Audit, as detailed in Attachment A, and the Payroll Internal Audit as detailed in Attachment B, along with the Management Responses are noted and supported for presentation to the Board;
2. Consider a further audit being undertaken in 12 months to determine the efficacy of the findings implemented and review of any new or emerging risks; and

3. Request that Management provide a progress report at future meetings on the status of Audit action implementation.

Seconded Mr Barone

**Carried**

#### **4.3 REVIEW OF SALE AND DISPOSAL OF LAND AND OTHER ASSETS POLICY**

Moved Mr Barone

That the Committee recommend the draft Sale or Disposal of Assets Policy, as amended per the following clauses:

- a) Clause 2.1.1: to be deleted;
- b) Clause 2.1.5: the wording be deleted and replaced with the following wording:  
*“Expression of Interest” – means an Expression of Interest (EOI) is advertised to the entire market e.g. SA Tenders Website accompanied by an advertisement.*
- c) The clauses under 2.1 are renumbered in accordance with deletion of clause 2.1.1;
- d) Clause 3.2.3: the wording be deleted and replaced with the following wording:  
*“Expression of Interest”;*
- e) Clause 3.2.5: to be deleted; and
- f) Clause 3.3.4: the wording be amended to include the words “and report to the Board” after the word record.

be adopted by the East Waste Board.

Seconded Cr Hockley

**Carried**

#### **4.4 RISK MANAGEMENT REVIEW**

Moved Cr Hockley that the Committee:

1. Recommends that the amended East Waste Risk Management Framework as presented in Attachment B, and inclusive of Committee amendments, being
  - a) At pg. 81 of the Agenda Pack, dot point 1 wording be amended to read “A Fleet of collection vehicles, dot point 2 wording be amended to read “Human Resources (permanent and casual staff)”;
  - b) At pg. 84 of the Agenda Pack, under the heading of “Responsibility” in the Strategic Risk table and Commercial Risk table, the words “and Audit and Risk Management Committee” be deleted;
  - c) At pg. 92 of the Agenda Pack, dot point 2 under the heading “To assess a WHS situation”, the word “treatment” be deleted and replaced with “admission”; and
  - d) At pg. 104 of the Agenda Pack, under the heading of “Reporting Regime”, the words “and Audit and Risk Management Committee” be deleted.

be adopted by the East Waste Board; and

2. Recommends that the draft East Waste Risk Management Policy, as amended per the following clauses:
- a) Clause 5.2: the wording be amended to include the words “Consistent with the Policy review date” before the start of the Clause;
  - b) Clause 5.3: will become a new Clause as per the following wording:  
“East Waste’s Audit and Risk Management Committee will review East Waste’s Risk Registers every 12 months”;
  - c) The previous wording at Clause 5.3 will become Clause 5.4;
  - d) The previous wording at Clause 5.4 will become Clause 5.5; and
  - e) The previous wording at Clause 5.5 will become Clause 5.6.

be adopted by the East Waste Board.

Seconded Mr Barone

**Carried**

## **5. CONFIDENTIAL REPORTS**

### **5.1 CONTRACT UPDATE (Verbal)**

#### **RECOMMENDATION 1**

Moved Mr Barone that pursuant to Section 90(2) and (3) of the Local Government Act 1999, the East Waste Audit and Risk Management Committee orders that the public, with the exception of the East Waste staff present, be excluded from the meeting on the basis that the East Waste Audit and Risk Management Committee will receive, discuss and consider:

(b) information the disclosure of which –

(i) could reasonably be expected to confer a commercial advantage on a person with whom East Waste is conducting, or proposing to conduct, business, or to prejudice the commercial position of East Waste; and

(ii) would, on balance, be contrary to the public interest;

and the East Waste Audit and Risk Management Committee is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

Seconded Mr Hall

**Carried**

#### **RECOMMENDATION 2**

Moved Mr Hall that under Section 91(7) and (9) of the Local Government Act 1999 the East Waste Audit and Risk Management Committee orders that the discussion and minutes be kept confidential for a period not exceeding 12 months, after which time the order will be reviewed by the East Waste Board.

Seconded Cr Hockley

**Carried**

## **6. OTHER BUSINESS**

## **7. NEXT MEETING OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

The next Audit and Risk Management Committee Meeting will be held on Wednesday 20 June 2018 commencing at 8.30am at Chairman's Boardroom, 11/147 Pirie Street, Adelaide.

**8. CLOSURE OF MEETING**

The meeting closed at 9.59am.

**PRESIDING MEMBER** \_\_\_\_\_

**DATE** \_\_\_\_\_

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## 7.1: FINANCIAL REPORT – QUARTER 3 & BUDGET REVIEW THREE

REPORT AUTHOR:	General Manager
ATTACHMENTS:	A: Common Fleet Costing Worksheet
	B: Statement of Comprehensive Income
	C: Balance Sheet
	D: Statement of Cash Flow
	E: Statement of Changes in Equity
	F: Uniform Presentation of Finances Statement

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### **Purpose of the Report**

Provide the Board with detailed Financial Statements for the March Quarter 2018 and report on Budget Review Three (3) as prescribed by the Regulations.

### **Background**

At the meeting held 29 June 2017, the East Waste Board resolved:

### **FY18 ANNUAL PLAN & BUDGET ENDORSEMENT**

Moved Mr Di Iulio that the 2017/2018 Annual Plan is adopted, and that *the 2017/2018 Budget is adopted, noting that there will be subsequent changes in Budget Review 1 due to new services coming online early in the new financial year.*

Seconded Mr Barone                      **Carried**

In accordance with Regulation 9 of the Local Government (Financial Management) Regulations 2011:

1. A council, council subsidiary or regional subsidiary must prepare and consider the following reports:
  1. at least twice, between 30 September and 31 May (both dates inclusive) in the relevant financial year (where at least 1 report must be considered before the consideration of the report under subregulation (1)(b), and at least 1 report must be considered after consideration of the report under subregulation (1)(b))—a report showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances;
  - (b) between 30 November and 15 March (both dates inclusive) in the relevant financial year—a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

The attached statements (refer Attachments A-H) have been prepared in accordance to the above stated regulation.

## **Report**

### **Part One – March Quarter 2018**

As predicted East Waste has recovered from a Quarter 2 operating deficit of \$79,000 to post a year to date operating surplus of \$114,431 to the end of the March quarter.

The key budget movements in the March Quarter were as follows:

- **Bin Maintenance/Replacement:** Additional \$111,000 added to the income stream to account for income not previously accounted for.
- **Quarter 1 Operating Surplus Payment:** At the meeting held 21 September 2017, the East Waste Board resolved (in part):

#### **7.1 AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2017**

Moved Cr Hockley:

3. *That the 2017/18 Quarter 1 is reconciled at Budget Review 1 and any subsequent refund, if it occurs, is returned to Member Councils.*

Seconded Cr Piggott

**Carried**

An operating surplus of \$69,272 was realised at the end of Quarter One (1) and in line with the above resolution, Member Councils received a fee reduction on Quarter Three (3) invoices, which reduced income by the same amount.

- **Recycling Rebate:** Income and expenditure from the recycling rebate is less Year to Date than expected due to the China Sword impacts.

### **Part Two – Budget Review Three (3)**

Management took the opportunity with this third quarter review to reforecast the budget, and turn the previous projected end of year deficit of \$78,553 into an operating surplus of \$43,761. Additionally this reforecasting has seen a reduction in the overall non-recoverable costs of approximately \$67,000. The more significant items that have allowed this include:

- **Maintenance Trucks:** The historical and ongoing improved oversight, operation and investment in systems in the workshop continues to pay dividends. The tighter controls and monitoring have allowed the truck maintenance budget to be reduced by \$107,130.
- **Equipment Hire:** As an extension of the above, improved maintenance and refined operation of the fleet is seeing a reduced need for the use of hire equipment. As such \$15,000 has been removed from this budget line.
- **Power:** While only a small reduction in the context of the overall budget, moving to a new electricity contract is expected to deliver a minimum 10-15% saving annually.
- **Telephone:** Similar to power, while only a \$10,000 reduction overall, research and investment in a new contract has reduced annual expenditure by over 20%.

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Two main increases that are included within this figure are:

- **Wages: Casual Agency:** Due to staff turnover, maternity leave, on-boarding of the City of Prospect, large number of public holidays over the Christmas period and adverse weather events, there has been a greater utilisation of Agency staff than initially forecast, particularly in the last quarter. This has required an increase in the budget of \$60,000 to meet requirements for the remainder of the year. Typically a decrease in Wages & Salaries could be expected to offset this, however this decrease has largely been absorbed by the high level of overtime experienced by the permanent Drivers as a result of the aforementioned reasons.
- **Legal fees:** An increase of \$15,000 in legal fees has been made to account for anticipated legal advice associated with two current matters.

Identification and correct accounting treatment of the Adelaide Hills Bin Financing has also been made. This results in \$64,000 being removed from the Profit and Loss, across to the non-operating Budget. As this is a full cost recovery charge it does not impact the net result of operations.

Having considered the Financial Report and Statements at the 18 April 2018 meeting the Audit & Risk Management Committee recommended both the March Financials and Budget Review Three Financials for presentation and endorsement by the Board.

East Wastes external accountancy firm Dean Newberry & Partners have prepared the Budget Review financial reports in the prescribed format which details the varied budget papers (refer Attachment A-H). With respect to the Common Fleet Costing Table in Attachment C (refer Attachment C), please note the estimated movement is not the true cost variation applicable to each Council. Estimated Costs to be allocated now include street litter collection and hard waste charges, plus common fleet savings from the introduction of City of Prospect as a Member Council. The Original Budget did not include these. All Councils are on track to meet or exceed the predicted savings from the BDO Report.

#### **RECOMMENDATION**

**The Board endorse the March Quarter 2017 Financials and the 2017/18 Budget Review Three as presented.**



EAST WASTE				
COMMON FLEET COSTING WORKSHEET (BUDGET)				
for the Financial Year Ending 30 June 2018				
		2018		
		\$		
		PROPOSED BUDGET		
Total Waste Collection Costs		10,077,635		
Total Administrative & Corporate Overhead Costs		1,242,510		
<b>Total Expenses Per Profit &amp; Loss</b>		<b>11,320,145</b>		
<b>Less: Member Council Non-Collection Income</b>				
Administration Income		-		
<b>Total Recoverable Collection Costs - Member Councils</b>		<b>11,320,145</b>		
<i>Add: Additional Charges - Board Approved Surplus Charges</i>		-		
<b>Total Recoverable Collection Costs - Member Councils</b>		<b>11,320,145</b>		
Member Council	C&T %	Estimated Costs to be Allocated	FY 2018 Original Budget	Estimated Movement
Adelaide Hills Council	22.82%	2,583,257	2,434,014	149,243
City of Burnside	17.14%	1,940,273	1,921,222	19,051
Campbelltown City Council	19.55%	2,213,088	2,075,160	137,928
City of Mitcham	14.43%	1,633,497	1,570,364	63,133
City of Norwood Payneham & St Peters	16.55%	1,873,484	1,650,332	223,152
City of Prospect	6.02%	681,473	-	681,473
Corporation Town of Walkerville	3.49%	395,073	344,860	50,213
<b>Total</b>		<b>11,320,145</b>	<b>9,995,952</b>	<b>1,324,193</b>

Common Fleet Costing Movement					
Adopted Budget v Adopted Budget + inclusion of Rear Loader & Prospect					
Adelaide Hills Council	Adopted 2017/2018 Fees	Fees inc Rear Loader	Fees inc Prospect + Rear Loader (BR3)	Movement	Comments
East Waste Equity Loan	\$ 18,140.00	\$ 18,140.00	\$ 16,685.32	-\$ 1,454.68	Reduction due to City of Prospect inclusion
Administration Fee Fixed	\$ 35,967.00	\$ 35,967.00	\$ 35,967.00	\$ -	
Collection Fees	\$ 2,434,014.00	\$ 2,631,162.00	\$ 2,583,257.19	\$ 149,243.19	
Green Organics Processing	\$ 125,724.00	\$ 125,724.00	\$ 114,314.00	-\$ 11,410.00	Charged at-cost to Council
At-call Hard Waste Collection	\$ 71,914.00	\$ -	\$ -	-\$ 71,914.00	Now included in Common Fleet Costing
Hard Waste Disposal Fees	\$ 27,093.00	\$ 27,093.00	\$ 27,093.00	\$ -	Charged at-cost to Council
Litter and Public Place Bin	\$ 125,234.00	\$ -	\$ -	-\$ 125,234.00	Now included in Common Fleet Costing
Bin Finance	\$ 64,578.00	\$ 64,578.00	\$ 64,578.00	\$ -	
Projected Saving	\$ 2,902,664.00	\$ 2,902,664.00	\$ 2,841,894.51	-\$ 60,769.49	
F17 Operational Saving				\$ 99,895.44	Returned to Council in F18 (exists as reduced income to EW)
Recyclables Income	\$ 126,674.00	\$ 126,674.00	\$ 126,674.00	\$ -	
		BDO Report Indicative Saving		\$ 57,467.00	

Common Fleet Costing Movement					
Adopted Budget v Adopted Budget + inclusion of Rear Loader & Prospect					
City of Burnside	Adopted 2017/2018 Fees	Fees inc Rear Loader	Fees inc Prospect + Rear Loader (BR3 Actuals)	Movement	Comments
East Waste Equity Loan	\$ 23,065.00	\$ 23,065.00	\$ 21,207.30	-\$ 1,857.70	Reduction due to City of Prospect inclusion
Administration Fee Fixed	\$ 35,967.00	\$ 35,967.00	\$ 35,967.00	\$ -	
Collection Fees	\$ 1,921,222.00	\$ 1,997,659.00	\$ 1,940,272.93	\$ 19,050.93	
Green Organics Processing	\$ 222,013.00	\$ 222,013.00	\$ 213,443.00	-\$ 8,570.00	Charged at-cost to Council
At-call Hard Waste Collection	\$ 76,437.00	\$ -	\$ -	-\$ 76,437.00	Now included in Common Fleet Costing
Hard Waste Disposal Fees	\$ 59,909.00	\$ 59,909.00	\$ 59,909.00	\$ -	Charged at-cost to Council
Projected Saving	\$ 2,338,613.00	\$ 2,338,613.00	\$ 2,270,799.23	-\$ 67,813.77	
F17/18 Operational Saving				\$ 80,447.90	Returned to Council in F18 (exists as reduced income to EW)
Recyclables Income	\$ 151,056.00	\$ 151,056.00	\$ 151,056.00	\$ -	
		BDO Report Indicative Saving		\$ 29,286.00	

Common Fleet Costing Movement					
Adopted Budget v Adopted Budget + inclusion of Rear Loader & Prospect					
Campbelltown City Council	Adopted 2017/2018 Fees	Fees inc Rear Loader	Fees inc Prospect + Rear Loader (BR3 Actuals)	Movement	Comments
East Waste Equity Loan	\$ 24,195.00	\$ 24,195.00	\$ 22,250.84	-\$ 1,944.16	Reduction due to City of Prospect inclusion
Administration Fee Fixed	\$ 35,967.00	\$ 35,967.00	\$ 35,967.00	\$ -	
Collection Fees	\$ 2,075,160.00	\$ 2,235,404.00	\$ 2,213,088.44	\$ 137,928.44	
Green Organics Processing	\$ 233,775.00	\$ 233,775.00	\$ 224,000.00	-\$ 9,775.00	Charged at-cost to Council
At-call Hard Waste Collection	\$ 80,244.00	\$ -	\$ -	-\$ 80,244.00	Now included in Common Fleet Costing
Hard Waste Disposal Fees	\$ 56,611.00	\$ 56,611.00	\$ 56,611.00	\$ -	Charged at-cost to Council
Litter and Public Place Bin	\$ -	\$ 80,000.00	\$ -	-\$ 80,000.00	Now included in Common Fleet Costing
Projected Saving	\$ 2,505,952.00	\$ 2,585,952.00	\$ 2,551,917.28	-\$ 34,034.72	
F17 Operational Saving				\$ 82,768.58	Returned to Council in F18 (exists as reduced income to EW)
Recyclables Income	\$ 158,857.00	\$ 158,857.00	\$ 158,857.00	\$ -	
		BDO Report Indicative Saving		\$ 39,264.00	

Common Fleet Costing Movement					
Adopted Budget v Adopted Budget + inclusion of Rear Loader & Prospect					
City of Mitcham	Adopted 2017/2018 Fees	Fees inc Rear Loader	Fees inc Prospect + Rear Loader (BR3 Actuals)	Movement	Comments
East Waste Equity Loan	\$ 32,013.00	\$ 32,013.00	\$ 29,443.37	-\$ 2,569.63	Reduction due to City of Prospect inclusion
Administration Fee Fixed	\$ 35,967.00	\$ 35,967.00	\$ 35,967.00	\$ -	
Collection Fees	\$ 1,570,364.00	\$ 1,689,104.00	\$ 1,633,496.99	\$ 63,132.99	
Green Organics Processing	\$ 323,291.00	\$ 323,291.00	\$ 316,076.00	-\$ 7,215.00	Charged at-cost to Council
At-call Hard Waste Collection	\$ 118,740.00	\$ -	\$ -	-\$ 118,740.00	Now included in Common Fleet Costing
Hard Waste Disposal Fees	\$ 96,883.00	\$ 96,883.00	\$ 96,883.00	\$ -	Charged at-cost to Council
Litter and Public Place Bin	\$ -	\$ -	\$ -	\$ -	Now included in Common Fleet Costing
Projected Saving	\$ 2,177,258.00	\$ 2,177,258.00	\$ 2,111,866.36	-\$ 65,391.64	
F17 Operational Saving				\$ 64,189.81	Returned to Council in F18 (exists as reduced income to EW)
Recyclables Income	\$ 219,949.00	\$ 219,949.00	\$ 219,949.00	\$ -	
		BDO Report Indicative Saving		\$ 25,663.00	

Common Fleet Costing Movement					
Adopted Budget v Adopted Budget + inclusion of Rear Loader & Prospect					
City of NPSP	Adopted 2017/2018 Fees	Fees inc Rear Loader	Fees inc Prospect + Rear Loader (BR3 Actuals)	Movement	Comments
East Waste Equity Loan	\$ 20,665.00	\$ 20,665.00	\$ 18,996.81	-\$ 1,668.19	Reduction due to City of Prospect inclusion
Administration Fee Fixed	\$ 35,967.00	\$ 35,967.00	\$ 35,967.00	\$ -	
Collection Fees	\$ 1,650,332.00	\$ 1,874,752.80	\$ 1,873,484.07	\$ 223,152.07	
Green Organics Processing	\$ 159,320.00	\$ 159,320.00	\$ 151,045.00	-\$ 8,275.00	Charged at-cost to Council
At-call Hard Waste Collection	\$ -	\$ 59,836.80	\$ -	-\$ 59,836.80	Now included in Common Fleet Costing
Hard Waste Disposal Fees	\$ -	\$ 36,163.20		-\$ 36,163.20	Charged at-cost to Council
Litter and Public Place Bin	\$ 136,660.00	\$ -	\$ -	-\$ 136,660.00	Now included in Common Fleet Costing
Illegal Dumping Collection	\$ 27,924.00	\$ -	\$ -	-\$ 27,924.00	
Projected Saving	\$ 2,030,868.00	\$ 2,126,868.00	\$ 2,079,492.88	-\$ 47,375.12	
F17/18 Operational Saving				\$ 66,777.31	Returned to Council in F18 (exists as reduced income to EW)
Recyclables Income	\$ 126,681.00	\$ 126,681.00	\$ 126,681.00	\$ -	
		BDO Report Indicative Saving		\$ 25,197.00	

Common Fleet Costing Movement					
Adopted Budget v Adopted Budget + inclusion of Rear Loader & Prospect					
Town of Walkerville	Adopted 2017/2018 Fees	Fees inc Rear Loader	Fees inc Prospect + Rear Loader (BR3 Actuals)	Movement	Comments
East Waste Equity Loan	\$ 3,940.00	\$ 3,940.00	\$ 3,624.32	-\$ 315.68	Reduction due to City of Prospect inclusion
Administration Fee Fixed	\$ 35,967.00	\$ 35,967.00	\$ 35,967.00	\$ -	
Collection Fees	\$ 344,860.00	\$ 403,360.00	\$ 395,073.08	\$ 50,213.08	
Green Organics Processing	\$ 36,507.00	\$ 36,507.00	\$ 34,762.00	-\$ 1,745.00	Charged at-cost to Council
At-call Hard Waste Collection	\$ 30,527.00	\$ -	\$ -	-\$ 30,527.00	Now included in Common Fleet Costing
Hard Waste Disposal Fees	\$ 9,638.00	\$ 9,638.00	\$ 9,638.00	\$ -	Charged at-cost to Council
Litter and Public Place Bin	\$ 27,973.00	\$ -	\$ -	-\$ 27,973.00	Now included in Common Fleet Costing
Projected Saving	\$ 489,412.00	\$ 489,412.00	\$ 479,064.40	-\$ 10,347.60	
F17 Operational Saving				\$ 14,081.54	Returned to Council in F18 (exists as reduced income to EW)
Recyclables Income	\$ 24,761.00	\$ 24,761.00	\$ 24,761.00	\$ -	
		BDO Report Indicative Saving		\$ 6,612.00	

<b>EAST WASTE</b>					
<b>PROJECTED STATEMENT OF COMPREHENSIVE INCOME (BUDGET)</b>					
<b>for the Financial Year Ending 30 June 2018</b>					
	<b>FY 2017</b>		<b>FY 2018</b>	<b>FY 2018</b>	<b>FY 2018</b>
	<b>AUDITED</b>		<b>ADOPTED</b>	<b>BR2 ADOPTED</b>	<b>PROPOSED</b>
	<b>ACTUALS</b>		<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>
	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>INCOME</b>			
	13,068	User Charges	13,283	13,849	13,305
	30	Investment income	32	13	10
	40	Grants, subsidies and contributions	-	15	15
	408	Other	320	378	387
	<b>13,546</b>	<b>TOTAL INCOME</b>	<b>13,635</b>	<b>14,254</b>	<b>13,717</b>
		<b>EXPENSES</b>			
	5,164	Employee Costs	4,410	4,580	4,580
	6,007	Materials, contracts & other expenses	6,870	7,486	6,821
	1,724	Depreciation, amortisation & impairment	1,850	1,900	1,900
	332	Finance costs	340	367	367
	<b>13,227</b>	<b>TOTAL EXPENSES</b>	<b>13,470</b>	<b>14,333</b>	<b>13,669</b>
	<b>319</b>	<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>165</b>	<b>(79)</b>	<b>48</b>
	20	Asset disposals & fair value adjustments	20	-	(5)
	<b>339</b>	<b>NET SURPLUS / (DEFICIT)</b>	<b>185</b>	<b>(79)</b>	<b>44</b>
	-	Other Comprehensive Income	-	-	-
	<b>339</b>	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>185</b>	<b>(79)</b>	<b>44</b>



<b>EAST WASTE</b>					
<b>PROJECTED BALANCE SHEET (BUDGET)</b>					
<b>for the Financial Year Ending 30 June 2018</b>					
<b>FY 2017</b>			<b>FY 2018</b>	<b>FY 2018</b>	<b>FY 2018</b>
<b>AUDITED</b>			<b>ADOPTED</b>	<b>BR2 ADOPTED</b>	<b>PROPOSED</b>
<b>ACTUALS</b>			<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>
<b>\$'000</b>			<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>ASSETS</b>			
		<b>CURRENT ASSETS</b>			
1,984		Cash & Cash Equivalents	1,747	2,478	2,678
412		Trade & Other Receivables	339	412	412
-		Other Financial Assets	-	-	-
2,396		<b>TOTAL CURRENT ASSETS</b>	2,086	2,890	3,090
		<b>NON-CURRENT ASSETS</b>			
6,046		Infrastructure, Property, Plant & Equipment	5,408	6,046	6,036
6,046		<b>TOTAL NON-CURRENT ASSETS</b>	5,408	6,046	6,036
8,442		<b>TOTAL ASSETS</b>	7,494	8,936	9,125
		<b>LIABILITIES</b>			
		<b>CURRENT LIABILITIES</b>			
826		Trade & Other Payables	926	826	826
1,701		Borrowings	1,501	2,007	2,007
491		Provisions	635	574	576
3,018		<b>TOTAL CURRENT LIABILITIES</b>	3,062	3,407	3,409
		<b>NON-CURRENT LIABILITIES</b>			
4,741		Borrowings	3,742	4,803	4,803
72		Provisions	111	72	72
4,813		<b>TOTAL NON-CURRENT LIABILITIES</b>	3,853	4,875	4,875
7,831		<b>TOTAL LIABILITIES</b>	6,915	8,282	8,284
611		<b>NET ASSETS</b>	579	654	842
		<b>EQUITY</b>			
611		Accumulated Surplus	579	654	842
611		<b>TOTAL EQUITY</b>	579	654	842

<b>EAST WASTE</b>					
<b>PROJECTED STATEMENT OF CASH FLOWS (BUDGET)</b>					
<b>for the Financial Year Ending 30 June 2018</b>					
	<b>FY 2017</b>		<b>FY 2018</b>	<b>FY 2018</b>	<b>FY 2018</b>
	<b>AUDITED</b>		<b>ADOPTED</b>	<b>BR2 ADOPTED</b>	<b>PROPOSED</b>
	<b>ACTUALS</b>		<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>
	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
		<b>RECEIPTS</b>			
	13,465	Operating Receipts	14,964	15,666	15,078
	28	Investment Receipts	32	13	10
		<b>PAYMENTS</b>			
	(5,279)	Employee costs	(4,411)	(4,580)	(4,580)
	(7,063)	Materials, contracts & other expenses	(8,148)	(8,826)	(8,107)
	(320)	Interest Payments	(340)	(367)	(367)
	831	<b>NET CASH PROVIDED BY (OR USED IN) OPERATING ACTIVITIES</b>	2,097	1,905	2,033
		<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
		<b>RECEIPTS</b>			
	104	Sale of Replaced Assets	20	-	-
		<b>PAYMENTS</b>			
	(2,522)	Expenditure on Renewal/Replaced Assets	(1,500)	(1,901)	(1,894)
	-	Expenditure of New/Upgraded Assets	-	-	-
	-	Distribution to Councils	-	-	-
	(2,418)	<b>NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES</b>	(1,480)	(1,901)	(1,894)
		<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		<b>RECEIPTS</b>			
	122	Capital Contributed by Member Councils	122	122	187
	1,926	Proceeds from Borrowings	-	1,972	1,972
		<b>PAYMENTS</b>			
	(1,275)	Repayment of Borrowings	(1,522)	(1,604)	(1,604)
	773	<b>NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES</b>	(1,400)	490	555
	(814)	<b>NET INCREASE (DECREASE) IN CASH HELD</b>	(783)	494	694
	2,798	<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	2,530	1,984	1,984
	1,984	<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	1,747	2,478	2,678

<b>EAST WASTE</b>						
<b>PROJECTED STATEMENT OF CHANGES IN EQUITY (BUDGET)</b>						
<b>for the Financial Year Ending 30 June 2018</b>						
<b>FY 2017</b>			<b>FY 2018</b>	<b>FY 2018</b>	<b>FY 2018</b>	
<b>AUDITED</b>			<b>ADOPTED</b>	<b>BR2 ADOPTED</b>	<b>PROPOSED</b>	
<b>ACTUALS</b>			<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>	
<b>\$'000</b>			<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
150		<b>BALANCE AT END OF PREVIOUS REPORTING PERIOD</b>	272	611	611	
339		Net Surplus / (Deficit) for Year	185	(79)	44	
122		Contributed Equity	122	122	187	
-		Distribution to Councils	-	-	-	
<b>611</b>		<b>BALANCE AT END OF REPORTING PERIOD</b>	<b>579</b>	<b>654</b>	<b>842</b>	

# Attachment F

EAST WASTE					
PROJECTED UNIFORM PRESENTATION OF FINANCES STATEMENT (BUDGET)					
for the Financial Year Ending 30 June 2018					
FY2017			FY 2018	FY 2018	FY 2018
AUDITED ACTUALS			ORIGINAL	BR2 ADOPTED	PROPOSED BUDGET
\$'000			ADOPTED BUDGET	BUDGET	
			\$'000	\$'000	\$'000
13,546	Income		13,635	14,254	13,717
13,227	Expenses		13,470	14,333	13,669
319	Operating Surplus / (Deficit)		165	(79)	(79)
	less Net Outlays on Existing Assets				
2,522	Capital Expenditure on Renewal and Replacement of Existing Assets		1,500	1,901	1,894
(1,724)	Depreciation, Amortisation and Impairment		(1,850)	(1,900)	(1,900)
(104)	Proceeds from Sale of Replaced Assets		(20)	-	-
694			(370)	1	(6)
	Less Net Outlays on New and Upgraded Assets				
-	Capital Expenditure on New and Upgraded Assets		-		-
-	Amounts Specifically for New and Upgraded Assets		-		-
-	Proceeds from Sale of Surplus Assets		-		-
-			-	-	-
(375)	NET LENDING / (BORROWING) FOR FINANCIAL YEAR		535	(80)	(73)

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## 7.2: PAYROLL AND ACCOUNTS PAYABLE AUDITS

**REPORT AUTHOR:** General Manager  
**ATTACHMENTS:** A: Payroll Function Audit Report  
B: Accounts Payable Audit Report

---

### **Purpose of the Report**

To provide the Board with the opportunity to review and comment on the external audits of East Waste's Payroll and Accounts Payable Functions recently undertaken.

### **Background**

At the meeting held 21 September 2017, the East Waste Board resolved:

#### **PAYROLL MATTER**

*Moved Mr Di Iulio*

*3. That an external audit of East Waste's payroll function be undertaken;*

*Seconded Mr Miller*

***Carried.***

Subsequently at the meeting held 16 November 2017, the East Waste Board resolved:

#### **DRAFT SCOPE OF WORKS: AUDIT OF PAYROLL + ACCOUNTS PAYABLE**

*Moved Cr Busato that the Board endorses the Scope of Works for the Payroll and Accounts Payable/Procurement Audits.*

*Seconded Cr Green*

***Carried.***

Following this meeting, Dean Newberry & Associates were engaged to carry out the Audit of the two required functions.

### **Report**

Throughout January 2018 Dean Newberry and Partners undertook an internal audit of East Waste's Accounts Payable and Payroll functions to review, amongst other objectives, compliance with legislation, adequacy of existing internal controls, current policies and procedures and to identify potential areas of risk and improvement.

Samantha Allard from Dean Newberry and Associates will attend the Board meeting to answer any specific questions.

While a number of areas for improvement were identified (see below), pleasingly the Auditors noted a number of positive results in East Waste's existing practices.

#### **Accounts Payable Internal Audit**

Following a review of process, policies and activity undertaken over the preceding six months from 1 July to 31 December 2017, a total of six areas requiring attention were identified. These are summarised, along with their risk rating in Table 1. The full report and findings is contained within Attachment A (refer Attachment A).

**Table 1: Summary of Actions from Accounts Payable Internal Audit, January 2018.**

Item Reference	Findings and Recommendation	Residual Risk Rating
5.1	Update - Purchase of Goods and Services Policy	High
5.2	Retention of supplier quotes	High
5.3	Accounts Payable Role	High
5.4	Controls over changes to supplier bank details	Moderate
5.5	Periodic reconciliation of the sub ledger to the General Ledger	Low
5.6	Removal of unused suppliers from the database	Low

The first of these, the review of the Goods and Services Policy has already been completed with the Board endorsing an updated Policy at the 22 February 2018 meeting. The remaining risks and actions are supported by the Management Team and will be implemented as detailed in the Report.

#### Payroll Internal Audit

The Payroll Internal Audit like the Accounts Payable audit, reviewed internal controls in operation and activity from 1 July to 31 December 2017. This audit identified a total of 9 findings requiring further consideration, which are summarised, along with their risk rating in Table 2. The full report and findings is contained within Attachment B (refer Attachment B).

**Table 2: Summary of Actions from Payroll Internal Audit, January 2018.**

Item Reference	Findings and Recommendation	Residual Risk Rating
5.1	Documented policies and/or procedures	High
5.2	No evidence of review of the daily sign in/out sheets	High
5.3	Payroll Officer Role	High
5.4	Transition to Single Touch Payroll	High
5.5	Response to errors identified by the Administration	Moderate
5.6	Transition to electronic employee sign in/out system	Moderate
5.7	Security of employee personnel files	Moderate
5.8	Employee Deductions	Low
5.9	Future expiration of workplace agreement	N/A

The Management response to each of these is detailed within the report and where required actions will be undertaken to address and/or mitigate the issue.

While not a requirement out of the audits, it is recommended given the personnel changes and as a best practice measure, to undertake a follow up audit in approximately 12 months to review implementation of the findings and ensure no new risks have or are emerging.

Following presentation to the Audit and Risk Management Committee meeting on 18 April 2018, the Committee recommended the reports and Management's response for presentation to the Board and proposed the inclusion of the third recommendation below.

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## **RECOMMENDATION**

### **The Board:**

- 1. Recommends that the Accounts Payable Internal Audit, as detailed in Attachment A, and the Payroll Internal Audit as detailed in Attachment B, along with the Management Responses are received and noted.**
- 2. Requests that Management consider a further audit being undertaken in 12 months to determine the efficacy of the findings implemented and review of any new or emerging risks.**
- 3. Request that Management provide a progress report at future meetings on the status of Audit actions implementation.**

# **Internal Audit Report**

## **Accounts Payable Function**

January 2018

**Eastern Waste Management Authority Inc.**



**Dean Newbery & Partners**  
CHARTERED ACCOUNTANTS

[deannewbery.com.au](http://deannewbery.com.au)



5 April 2018

Mr Rob Gregory  
General Manager  
Eastern Waste Management Authority Inc.  
1 Temple Court  
**OTTOWAY SA 5013**

Dear Rob

**RE: Internal Audit Report  
Eastern Waste Management Authority Inc.  
Accounts Payable Function – January 2018**

Dean Newbery & Partners were engaged by the Administration in December 2017 to undertake an internal audit of the account payable function of the Eastern Waste Management Authority Inc.

We have now finalised our review and prepared a report summarising our findings and recommendations. Our review encompassed internal controls and transactions applicable to the period 1 July 2017 and 31 December 2017.

Please contact me on 8267 4777 or [sam@deannewbery.com.au](mailto:sam@deannewbery.com.au) if you have any queries with regard to our report.

Yours sincerely

**DEAN NEWBERY & PARTNERS**



**SAMANTHA ALLARD**  
**Partner**

C. Chairman  
C. Audit and Risk Committee

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2.2 Scope and objective of the Internal Audit	4
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## Inherent Limitations

Due to the inherent limitation of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to this review operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by the Authority management and personnel. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed. The findings expressed in this report have been formed on the above basis.

## Third Party Reliance

This report is solely for the Authority's information, and is not to be used for any other purpose or distributed to any other party without Dean Newbery & Partners Chartered Accountants' prior consent. This Report has been prepared at the request of the Authority management or its delegate. Other than our responsibility to the management of the Authority, neither Dean Newbery & Partners Chartered Accountants nor any member or employee of Dean Newbery & Partners Chartered Accountants undertakes responsibility arising in any way from reliance placed by a third party, included but not limited to the Authority's external advisors, on this report. Any reliance placed is that party's sole responsibility.

Liability limited by a scheme approved under Professional Standards Legislation

# 1. Executive Summary

Our findings of the internal audit have identified a number of areas where further improvements in the Authority's internal control environment could be strengthened. We are pleased to note that our audit testing did not reveal any adverse or material errors in transactions processed.

Given the responses provided by the Authority's management included within this Report, we are confident that all matters raised are, or are in the process of being, adequately addressed.

Due to the relatively small nature of the Authority's Administrative staffing resources, inherent risks exist in the form of reduced ability to further segregate duties, increased potential for management override of internal controls and limited experienced for additional back-up staff resources. These inherent risks and limitations are consistent with what we would expect from other organisations of a similar size and nature.

Where possible, additional compensating controls have been implemented to further strengthen and enhance detective and preventative internal controls in operation.

It is of high importance that appropriate ongoing training of staff and formal documentation of procedures exist that highlight the expectation/requirements of each Officer's responsibilities when reviewing and approving account payable transactions. By way of example, the review and approval process should involve ensuring transactions contain a valid Tax Invoice, the date of the invoice is within the financial year, the nature of the invoice is appropriate (non-private nature), the transaction has been procured in accordance with the current procurement policy and whether the review extends only to a sample basis or all transactions.

We are pleased to note that our audit testing did highlight positive results in a number of areas. The Authority's processes over contract management and the ongoing scrutiny of ensuring that the supplier invoices received are in accordance with the current terms and conditions of the respective contracts was found to have been performed appropriately and evidence of this review documented.

Our audit review of all supplier ABN details and cross-referencing to the processed supplier invoices, ensuring the appropriateness of GST treatment, raised no matters that required further action.

A summary and residual risk rating of our findings and recommendations are outlined below;

Item Reference	Findings and Recommendation	Residual Risk Rating
5.1	Update - Purchase of Goods and Services Policy	High
5.2	Retention of supplier quotes	High
5.3	Accounts Payable Role	High
5.4	Controls over changes to supplier bank details	Moderate
5.5	Periodic reconciliation of the sub ledger to the General Ledger	Low
5.6	Removal of unused suppliers from the database	Low

Refer to [Section 5](#) for our detailed findings and our recommendations.

[Appendix A](#) of this report provides for the framework adopted to assess the level of residual risk attributable to each of our findings and recommendations.

## 2. Introduction

### 2.1 Purpose and Structure of this Report

This document has been prepared to communicate all audit findings from our internal audit work conducted on the Authority's accounts payable function. The scope of the audit per our engagement was to review internal controls in operation between 1 July 2017 and 31 December 2017.

Our communication with you is important to ensure that we:

- share information to assist those charged with governance to fulfil their respective responsibilities;
- provide you with a summary of our observations and detailed constructive recommendations to further enhance the strength and effectiveness of the Authority's internal control framework arising from the work we conducted;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect to the identified risks surrounding the account payable function as well as other risks facing the Authority; and,
- to receive feedback from the Authority's Administration and Board as to the performance of the engagement team.

Background information relevant to the Authority's accounts payable function is provided in Section 3 of this Report. Details of our audit procedures performed during this engagement are outlined in Section 4 and our findings and internal control recommendations are in Section 5.

Appendix A outlines the framework adopted to assess the level of risk attributable to each of our findings and recommendations. The current 'Purchase of Goods and Services Policy' is also enclosed in Appendix B.

### 2.2 Scope and objective of the Internal Audit

This engagement involves an internal audit of the Accounts Payable function's processes and procedures operating within the Authority between July 2017 and December 2017. The key objectives of the internal audit is to undertake the following:

- Assess the activities in respect of the Accounts Payable operations in areas include risk (actual / potential risk to the entity); policies and procedures, compliance with Legislation, Contracts, security, processes, controls and systems through all stages of the procurement and payment processes.
- Assess management processes used by the entity including an assessment of the adequacy of existing adopted corporate policies, procedures and other applicable guidelines. This will involve an independence analysis to ensure the processes are efficient and effective with comparison to best practices.
- Consider the appropriateness of the segregated duties from an internal control perspective considering the level of resources available and organisational structure.
- Review current internal controls in comparison to industry best practice.
- Undertake substantive transaction testing, on a sample basis, to ensure adequacy and effectiveness of internal controls.

# 3. Background Information

Information relevant to understanding the complexity and required resources to maintain the Authority's accounts payable function is provided below.

3.1 Information									
<b>Accounting Software</b>	MYOB AccountRight Plus								
<b>Supplier Payment Frequency</b>	Weekly batch supplier payment runs are performed								
<b>Number of Credit Cards</b>	5 employees held credit cards Monthly purchasing limits range from \$3,000 - \$9,000								
<b>Number of Caltex Fuel Cards</b>	<table> <tr> <td>Cards allocated to trucks</td><td>38</td></tr> <tr> <td>Cards allocated to the Authority's motor vehicles</td><td>7</td></tr> <tr> <td><b>Total number of Caltex fuel cards</b></td><td><b>45</b></td></tr> </table>	Cards allocated to trucks	38	Cards allocated to the Authority's motor vehicles	7	<b>Total number of Caltex fuel cards</b>	<b>45</b>		
Cards allocated to trucks	38								
Cards allocated to the Authority's motor vehicles	7								
<b>Total number of Caltex fuel cards</b>	<b>45</b>								
<b>Bank Authorisation Procedures</b>	Two authorised employees are required to electronically authorise and release funds. Each authorising employee has their own unique individual username and passwords which are assigned to their Bank SA security tokens. Two signatures from the approved cheque signatories are required on all Authority cheques.								
<b>Staff with Bank Authorisation Access and Cheque Signatories</b>	<p>The following staff positions are authorised to approve bank transfers/payments via BankSA and are authorised to sign cheques;</p> <table> <tr> <td>General Manager</td><td>Office Administrator</td></tr> <tr> <td>Manager, Corporate Services</td><td></td></tr> </table>	General Manager	Office Administrator	Manager, Corporate Services					
General Manager	Office Administrator								
Manager, Corporate Services									
<b>Contract Pricing Review Procedures</b>	On a monthly basis, review and scrutiny over rates applied by suppliers on amounts charged by the contractors is undertaken between the Manager, Corporate Services and the Office Administrator. Spreadsheets are maintained that document the monitoring process undertaken between the Budget vs Actual data recorded and any anomalies found in accounts or invoiced prices charged to the Authority are directly followed up with the contractors.								
<b>Supplier Information</b>  (Throughout the period 1 July 2017 – 31 December 2017)	<p>180 suppliers paid in period reviewed.</p> <p>Highest value transactions recorded per following suppliers (total spend in excess of \$100,000)</p> <table> <tr> <td>Leedwell Asset Management Pty Ltd</td><td>Recruitco Pty Ltd</td></tr> <tr> <td>ResourceCo Pty Ltd</td><td>Liberty Oil Australia</td></tr> <tr> <td>LGA Asset Mutual Fund</td><td>Jeffries Group</td></tr> <tr> <td>Mastec Australia Pty Ltd</td><td>Bucher Municipal Pty Ltd</td></tr> </table>	Leedwell Asset Management Pty Ltd	Recruitco Pty Ltd	ResourceCo Pty Ltd	Liberty Oil Australia	LGA Asset Mutual Fund	Jeffries Group	Mastec Australia Pty Ltd	Bucher Municipal Pty Ltd
Leedwell Asset Management Pty Ltd	Recruitco Pty Ltd								
ResourceCo Pty Ltd	Liberty Oil Australia								
LGA Asset Mutual Fund	Jeffries Group								
Mastec Australia Pty Ltd	Bucher Municipal Pty Ltd								
<b>Total Estimated Budgeted Operating Expenses</b> (Exc. Employee Costs and Depreciation) – FY2018	\$7.9 million								

## 4. Audit Procedures Performed

In performing the audit field work, the following audit procedures were undertaken:

### 4.1 Onsite reviews and audit testing conducted

- Review compliance with ATO reporting obligations and compliance
- Review adopted 'Purchase of Goods and Services Policy' and perform compliance testing with adopted procurement principles under the policy
- Review the effectiveness of internal controls over the use of Purchase Orders
- Review over process for releasing/authorising payments
- Review of aging of accounts payable transaction (e.g. payments outstanding for over 90 days)
- Review credit cards and fuel card controls and procedures
- Australian Business Number (ABN) searches were completed on all suppliers within the Authority database to review for GST registration and the ensure the accurate processing of data
- Security and use of bank cheques
- Controls relating to the retention and security over tender documents and current contracts held with suppliers
- Review a sample of monthly Budget to Actual account reconciliations to ensure the adequacy of the controls over the amounts charged by the contractors are in accordance with the current contracts
- Substantive transaction testing, over a sample of paid invoices, to ensure transactions are allocated appropriately / accurately. Audit testing included ensuring;
  - GST was allocated in the software accurately as per the invoice
  - Invoices were addressed to the Authority
  - Invoice amounts were consistent with the amounts processed and paid
  - Any suspicious or unusual goods/or services purchased were investigated to ensure no items of a personnel nature was being procured
  - The date of the invoice was consistent with the process date
  - Invoices could be accurately matched to authorized Purchase Orders (if applicable)
  - Quotes, either written or verbal, were obtained and retained on file in accordance with the 'Purchase of Goods and Services Policy'.
  - Tenders and Contract documentation was maintained in the accordance with the 'Purchase of Goods and Services Policy'

## 5. Findings and Recommendations

Below details the significant findings of our internal audit and our recommendations to improve the internal control environment. Responses provided by the management of the Authority have been included.

5.1 Update - Purchase of Goods and Services Policy (Procurement Policy)			
Risk Rating	Consequence: Moderate	Likelihood: Likely	Overall Risk Rating: High
<b>Description</b>			
<p>As at the time of our attendance, the Authority's Purchase of Goods and Services Policy was last adopted on 2 May 2013. Per the adopted Policy, it is required to be reviewed every two years. Our audit has identified that this process has not occurred.</p> <p>As at the time of our audit, the Manager, Corporate Services was in the process of updating this policy.</p>			
<b>Recommendation</b>			
<p>We note that the Administration is in the process of addressing this matter. We see this as a High priority.</p> <p>To avoid this matter occurring again in the future, we recommend that a corporate register of all policies is developed and that key dates relating to the review and adoption of all Policies is documented. To further strengthen internal controls we recommend that the Authority's Audit &amp; Risk Committee be engaged to oversee this process and that it becomes a standing item on their annual work program to oversee the annual review of policies required per the corporate policy register.</p>			
<b>Management's Response</b>			
<ol style="list-style-type: none"><li>1. Update Good &amp; Services Policy subsequently endorsed by Board 22 Feb 2018.</li><li>2. Policy Register listed as action in draft 2018/19 Annual Business Plan.</li></ol>			

## 5.2 Retention of supplier quotes

Risk Rating      Consequence: Moderate      Likelihood: Likely      Overall Risk Rating: High

### Description

Audit testing and discussions held with the Administration revealed that there was minimal evidence of staff obtaining supplier quotes, either written or verbal, as per the requirements of the 'Purchase of Goods Services Policy (see Appendix B) being received and retained on file.

### Recommendation

We deem the appropriate obtaining and retention of documented quotes to be of high importance to evidence that correct procurement practices are being adhered to in accordance with the adopted policy.

We recommend increased internal reviews are undertaken of this process to ensure appropriate supporting documentation is being retained to evidence the controls are operating as designed and are effective.

### Management's Response

Standard work practices are for quotes to be typically sought which comply with the Goods & Services policy, however as noted documentation and importantly retention of these requires improvement. This work will be undertaken as part of the implementation of a compliant Records Management System which has been identified as a key action in the draft 2018/19 Annual Business Plan.

## 5.3 Accounts Payable Role

Risk Rating      Consequence: Major      Likelihood: Possible      Overall Risk Rating: High

### Description

The Office Administrator position is the key employee responsible for processing all account payable data and maintenance of supplier information (e.g. bank details, contact details, etc.). The individual person who occupied this position terminated their employment with the Authority on 12 January 2018.

### Recommendation

Given the recent departure of the Office Administrator, this highlights the importance of ensuring there is appropriately documented procedures in place to assist any temporary staff or external contractors to process accounts payable transactions if/when needed.

Recommend that all procedures relating to the maintenance of supplier details and processing of supplier payments is documented to mitigate this risk and further strengthen internal controls.

### Management's Response

Noted and agreed. Key function of seconded staff member and new Finance and Executive Administration Officer is to develop suite of processes covering all required tasks.



## 5.4 Controls over changes to supplier bank details

Risk Rating      Consequence: Moderate      Likelihood: Possible      Overall Risk Rating: Moderate

### Description

Currently, when the Accounts Payable staff received an email from a supplier requesting a change in bank details, there are minimal controls in place to verify the emails are bona fide, which presents a risk of fraud in this area.

We note that there are currently minimal documented procedures relating to the processes for changes to Supplier Masterfile details.

### Recommendation

To address this internal control weakness, we recommend that additional controls are implemented whereby third party verification is sought for any changes to supplier bank account details prior to the changes being processed (e.g. confirm via phone call with known supplier contact) and that this process be documented to verify the change in details.

We recommend that the process in which changes to Supplier bank details is formally documented to ensure a consistence approach is applied by all applicable Accounts Payable staff going forward and to minimise the risk of fraud in this area.

### Management's Response

Noted and agreed. Process to be established noting requirements.

## 5.5 Periodic reconciliation of the sub ledger to the General Ledger

Risk Rating      Consequence: Minor      Likelihood: Possible      Overall Risk Rating: Low

### Description

Audit testing revealed that there was no evidence of an independent review being retained of the month-end Accounts Payable General Ledger account reconciliations.

### Recommendation

Recommend on a periodic basis, at least monthly, a formal reconciliation is undertaken that is independently reviewed which demonstrates that the Accounts Payable sub ledger reconciles back to the recorded General Ledger balance. If variances between these accounts are identified during this reconciliation process, action should be taken to investigate and correct as soon as possible. Evidence of this review should always be retained on file.

### Management's Response

Noted and agreed. Process to be established.

## 5.6 Removal of unused suppliers from the database

Risk Rating

Consequence: Minor

Likelihood: Possible

Overall Risk Rating: Low

### Description

It was discussed with the Administration that a review and removal of all suppliers recorded within MYOB's Supplier Masterfile database that have not been used in recent years (i.e. more than 2 years), has not be undertaken.

### Recommendation

We recommend all suppliers that have not been engaged for a period of more than 2 years be removed from the Supplier Masterfile records.

We also recommend this review is performed on a periodic basis e.g. every 2 years.

### Management's Response

Noted and agreed. Process, inclusive of timeline to be developed.

## 6. Appendix A – Risk Ratings

The following risk matrix and descriptions outline the framework adopted to assess the level of risk attributable to each finding and recommendation in Section 5 above.

### Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	E	Moderate	High	High	Extreme	Extreme
Likely	D	Low	Moderate	High	Extreme	Extreme
Possible	C	Low	Low	Moderate	High	Extreme
Unlikely	B	Low	Low	Low	Moderate	High
Rare	A	Low	Low	Low	Moderate	High

### Likelihood Ratings

Rating	Description
E. Almost Certain	Is expected to occur in most circumstances
D. Likely	Will probably occur in most circumstances
C. Possible	Might occur at some time
B. Unlikely	Could occur at some time
A. Rare	May occur only in exceptional circumstances

## Consequence Ratings

	Socio-political & Community issues	Business Impact	Public Safety	Environment
1. Insignificant	<ul style="list-style-type: none"> <li>No adverse effect on public image</li> <li>Insignificant level of community concern</li> <li>Negligible adverse impact upon social health and well-being of the community which has little or no impact upon established community relationships and links.</li> </ul>	<ul style="list-style-type: none"> <li>Low financial loss – impact of less than \$5k</li> <li>Small delays in undertaking routine needs or tasks for ½ day.</li> </ul>	<ul style="list-style-type: none"> <li>No injuries or no significant injuries</li> <li>Negligible loss or damage to property / infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>“Nuisance” category under the SA Environment Protection Act (1993) met</li> <li>Contamination – on-site release immediately contained</li> <li>Slight, quickly reversible damage to few species.</li> </ul>
2. Minor	<ul style="list-style-type: none"> <li>Minor adverse effect on public image</li> <li>Minor level of community concern</li> <li>Minor adverse impact upon social health &amp; well-being of the community that may have a minor impact upon established community relationships &amp; links.</li> </ul>	<ul style="list-style-type: none"> <li>Medium financial loss – impact of between \$5k and \$20k</li> <li>Minor impact in undertaking routine needs or tasks for 1 day.</li> </ul>	<ul style="list-style-type: none"> <li>First aid treatment required</li> <li>Minor loss or infrastructure damage.</li> </ul>	<ul style="list-style-type: none"> <li>“Nuisance” category under SA Environment Protection Act (1993) met</li> <li>Some minor adverse effects to few species/ ecosystem parts that are short term and immediately reversible.</li> </ul>
3. Moderate	<ul style="list-style-type: none"> <li>Moderate adverse effect on public image</li> <li>Moderate level of community concern</li> <li>Social health and well-being of the community affected by moderately reduced opportunities for participation in community life and/or decision making, moderate incidences of increased isolation etc.</li> </ul>	<ul style="list-style-type: none"> <li>High financial loss – impact of between \$20k and \$50k</li> <li>Capability / production impaired, moderate impact on stakeholders &amp; routine needs or tasks for 1 – 3 days.</li> <li>Minor legal issues, non-compliances and breaches of regulation.</li> </ul>	<ul style="list-style-type: none"> <li>Medical treatment required</li> <li>Moderate loss/or infrastructure damage.</li> </ul>	<ul style="list-style-type: none"> <li>“Material” category under the SA Environment Protection Act (1993) met</li> <li>Contamination – on-site release contained with outside assistance</li> <li>Temporary, reversible damage, loss of habitat and migration of animal population, plants unable to survive, pollution requires physical removal, land contamination localised and can be quickly remedied.</li> </ul>

## Consequence Ratings (cont.)

	Socio-political & Community issues	Business Impact	Public Safety	Environment
4. Major	<ul style="list-style-type: none"> <li>Major adverse effect on public image</li> <li>Significant level of community concern</li> <li>Social health and well-being of the community seriously affected by major community unrest and/or significant breakdown of established community relationships and links.</li> </ul>	<ul style="list-style-type: none"> <li>Major financial loss - impact of between \$50k and \$100k</li> <li>Loss of capability, disruption to production, major impact on stakeholders &amp; routine needs or tasks for 3 – 5 days.</li> <li>Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible.</li> </ul>	<ul style="list-style-type: none"> <li>Serious &amp; extensive injuries</li> <li>Serious structural damage to infrastructure or serious loss of assets.</li> </ul>	<ul style="list-style-type: none"> <li>“Serious” category under the SA Environment Protection Act (1993) met</li> <li>Contamination – off-site release with no detrimental effects</li> <li>Death of individual animals, large scale injury, loss of keystone species and widespread habitat destruction.</li> </ul>
5. Catastrophic	<ul style="list-style-type: none"> <li>Huge effect on public image</li> <li>Community outrage</li> <li>Social health &amp; well-being of the community hugely affected by major community unrest and/or significant breakdown of established community relationships &amp; links.</li> </ul>	<ul style="list-style-type: none"> <li>Huge financial loss/exposure – impact greater than \$100k</li> <li>Loss of production/capability, failure to meet stakeholder’s needs for more than 5 days</li> <li>Projects &amp; programs failure, inability to meet minimum acceptable standards, most objectives not met</li> <li>Major breaches of regulation, major litigation.</li> </ul>	<ul style="list-style-type: none"> <li>Fatalities</li> <li>Critical loss, irreversible damage property / infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>“Serious” category under the SA Environment Protection Act (1993) met</li> <li>Toxic release off-site with detrimental effect</li> <li>Death of animals in large numbers, destruction of flora species, air quality requires evacuation, permanent and wide spread land contamination, irreversible soil erosion or severe compaction, widespread introduction of weeds.</li> </ul>

# 7. Appendix B – Purchase of Goods and Services Policy



**Eastern Waste Management Authority**

Trading As

**East Waste**

## ***Purchase of Goods and Services Policy***

**Adopted: May 2013**

This Policy has been developed and adopted by the Eastern Waste Management Authority to ensure a fair, transparent and accountable process in the purchasing of goods and services

### Policy statement

The Eastern Waste Management Authority (The Authority) trading as East Waste is committed to ensuring a fair, transparent and accountable process in the purchasing of goods and services.

Clause 10.9 of the Authority's Charter states (in part) that the Authority has the power to "*acquire any real or personal property in accordance with the Business Plan or otherwise with a Unanimous Decision of the Constituent Councils*". Clause 63 of the Authority's Charter states that "*The Authority may acquire such assets (real or personal) as its Business Plan provides or otherwise pursuant to a Unanimous Decision of the Constituent Councils.*"

### Principles

This policy has been prepared to encapsulate the following principles:

- (a) Quotations/tenders should encourage open and effective competition for East Waste's business.
- (b) East Waste must be, and must be seen to be, a fair and even-handed purchaser by all existing and potential suppliers.
- (c) The confidentiality of supplier information is to be protected where the supplier requests it.
- (d) Obtaining value in the expenditure of public money.
- (e) Administrative procedures to support East Waste's policy should be designed to contribute to cost effectiveness and operational efficiency.
- (f) Where the purchase of goods, materials or plant and equipment involves implications for the safety, health and welfare of East Waste's employees, the employees involved will be consulted prior to the purchase.

### Contracting out

East Waste will provide waste management services in the most effective manner possible, using a balanced mix of contractors and East Waste employed labour, whichever is appropriate, taking into account the need for specialist short term skills and equipment needs, balanced against the need to maintain a strong East Waste employed skills base enabling the provision of a range of services and the provision of good governance.

East Waste will periodically review the contracting out of goods and services to ensure that the services provided are delivered in the most efficient, effective and economical manner measured against comparable services being delivered by comparable organisations.

### Quotations and tenders

All invitations to tender must specify a closing date. The General Manager may extend a closing date where the General Manager can show sound cause. All persons who have picked up a tender document must be notified of the extension with at least three business days notice.



Tenders received before the closing date will remain unopened and placed in East Waste's locked cabinet.

As soon as practicable after the closing date the tenders shall be opened by two staff members consisting of:

- (a) The General Manager or if he/she is not available, the Office Manager, plus
- (b) The Office Manager (if not deputising for the General Manager) or the Operations Manager.

The date and time of opening the tenders will be marked in the tender book and all persons present will sign the book.

Where the value of the tenders exceeds the delegated purchasing authorities approved by East Waste or exceeds the budget, a report with evaluations on the tenders received shall be submitted to the East Waste Board for approval.

Where a tender has been let and additional works of a similar nature are required in the same financial year, the General Manager may utilise the same contractor, without the need to recall tenders, provided the unit rate has a variance of no greater than +5% and the project remains within the budgeted allocation.

### Conflict of interest

*Conflict of Interest* is a legal term and legislation provides the strict legal definition. It is however generally accepted that the term has a broader interpretation which relates to any set of circumstances which has the potential to compromise fairness and the public interest.

A conflict can arise when a person has the *potential* to be influenced, or *appear* to be influenced, by personal or private interests. It is generally accepted that where such a conflict exists, it should be resolved in the public interest, as opposed to the individual private interest.

All employees have public responsibilities and duties and therefore need to take care that they are not seen to be gaining a private benefit or avoiding private detriment by the nature of their position. Employees should at all times be guided by legislation when dealing with *Conflict of Interest*, ie all employees must ensure that there is no conflict between personal interests, or those of people closely associated with them and the performance of their duties.

Perceptions of conflict of interest are as important as actual conflicts of interest. In many cases, only the individual will be aware of the potential for conflict. There are legal requirements to reveal any specific interests where conflict could arise. Additionally, even if a matter only appears to create a conflict with their public duties, employees must declare an interest at the earliest opportunity.

Employees should advise the General Manager in writing if there could be a situation involving a potential conflict of interest. If in doubt, employees should seek guidance from the Executive Officer, and if necessary, legal advice will be sought.



### Purchase of goods and services

Goods and services will be obtained by use of an official order, however in urgent cases goods and services may be ordered subject to confirmation by an official order within five business days.

Official East Waste orders will be:

- (a) Signed by an officer authorised by East Waste to sign such orders.
- (b) Numbered sequentially and stocks of unused orders will be kept in the custody of the Office Manager.

The following persons have delegated authority to sign purchase orders and contracts for the purchase of goods and services on behalf of East Waste.

TITLE		LIMIT \$ (GST excl)
General Manager	Goods and Services	\$ 50,000
	Professional Services	\$ 50,000
Office Manager	Goods and Services	\$ 5,000
Operations Manager	Goods and Services	\$ 5,000

In exercising this authority, delegates are required to comply with the East Waste Charter and the following in determining the limit of the delegation:

- (a) For a single item normally and appropriately purchased as a single item, the value of that item.
- (b) For several identical items purchased at or the same time and not separately, the total value.
- (c) For component parts of an item normally and appropriately purchased separately, the value of that component.
- (d) For service contracts the estimated annual value.

The General Manager may invoke and revoke delegated authority for the signing of purchase orders exercising due consideration to the requirement to maintain effective internal control without impeding the operational efficiency of the organisation.

East Waste officers with delegated authority will, when making decisions under this Policy, act in accordance with East Waste's budget, relevant policies, plans, agreements, resolutions etc.

### Purchase methods and requirements

Wherever possible and if considered practical and cost effective by the General Manager or his authorised delegate, period contracts are to be negotiated for the supply of goods and services where they are consumed on a regular basis.

The following are the "minimum requirements" for the purchase of **Goods and Services**. Additional criteria can be applied.

**(1) Up to \$5,000 - 3 quotations required**

East Waste administration will not necessarily seek written quotations providing that:

- Officer records the details of any verbal quotations obtained
- Rates are considered reasonable and consistent with normal market rates for items of a like manner. The selection process and reasoning is to be documented.
- Requirements are not being split into components or a succession of orders for the same goods or services.
- Before the purchase order is signed it will include, where possible, an estimate of the cost of the goods and services so ordered.
- In an emergency or where there is only 1 supplier and it is not appropriate to obtain 3 quotes, purchases can be made on a discretionary basis as long as the Officer is satisfied that the purchase price is reasonable and competitive and that the circumstances are recorded.

**(2) Over \$5,000 and up to \$50,000 – 3 written quotations**

The following procedures are to be applied in calling for written quotations:-

- Obtain at least three written quotations;
- Officers calling and receiving written quotations shall note in the file;
- Reasons for selecting the 3 or more organisations for quotes;
- The detailed description of the goods and services for which quotations are required;
- The organisations invited to submit quotations;
- The name of the person giving the quotation;
- The reason for accepting a quote that is not the lowest;

In an emergency or where there is only 1 supplier and it is not appropriate to obtain 3 quotes, purchases can be made on a discretionary basis as long as the Officer is satisfied that the purchase price is reasonable and competitive and that the circumstances are recorded. Purchases exceeding \$50,000 (GST exclusive) must be submitted to the East Waste Board for approval.

The results should be notified in writing to all persons who provided quotations.

The benefits of Written Quotations are:

- Puts the procurement on a more formal footing;
- May be used where specifications are long and/or in any other cases where telephone quotes would not be feasible;
- Allows several requisitions for like items to be combined as one quotation request - saving time and possibly attracting cost savings;
- Enables a greater section of the market place to be canvassed;
- Before the purchase order is signed it will include, where possible, an estimate of the cost of the goods and services so ordered.

### **(3) Over \$50,000 - tender process**

The following procedures are to be applied in calling tenders:

The General Manager is responsible for administration of East Waste's tender process.

Tenders shall be called for the purchase of all goods, equipment commodities and services, where the total actual gross cost of each item inclusive of any trade-in is expected to exceed \$50,000 (GST exclusive).

A tender process shall take the following form:

- Public tender invitation through advertisements in the appropriate paper or by submitting tender documents to known suppliers (minimum of 3 suppliers);
- Full details of the works or services and an appropriate specification must be supplied to persons submitting tenders;
- Tender evaluation criteria to be included in the tender specification;
- If applicable, a briefing date is to be included in the tender specification for all persons submitting tenders to view the landfill site;
- Documentation of process to be filed;
- Tenders are to be placed in the tender cabinet;
- Evaluations to take place by East Waste officers;
- Recommendation to be put to the next East Waste Board meeting;
- The successful contractor to be engaged under one of East Waste's standard conditions of contract.

**Government contracts:** Where East Waste has access to, Government contracts either State or Federal, the General Manager or his authorised delegate may elect to purchase against such contracts where appropriate, except for purchases expected to cost in excess of \$50,000 (GST exclusive).

### **Tender process**

#### **(1) Tender register**

A register shall be maintained for the duration of the tender period. The register shall record the names, contact addresses and telephone and facsimile numbers of all persons collecting tender documents. The register shall be used for the forwarding of tender addenda to contractors as the need arises.

A written addendum notification shall be given to all proposed tenderers of any change to documentation or additional information. An addendum shall not be issued any later than five days prior to the closing date of tenders unless the closing date is extended.



## **(2) Tender submission**

### **(a) Tender Cabinet**

A lockable tender cabinet shall be located in the East Waste Office.

### **(b) Receiving of tenders**

Tenders received are to be:

- Clearly marked as to the time of receipt by East Waste staff.
- Placed unopened into the locked tender cabinet.
- If received after the closing time then the time and date received shall be marked on the document together with **LATE TENDER**.

## **(3) Tender opening**

### **(a) Opening tenders.**

- The tenders shall be opened as soon as practicable after the nominated closing time.
- Opened tenders shall be recorded in the tender book.
- Information contained in the tenders shall be treated as confidential.

### **(b) Late tenders**

- Tenders received after the closing time and date **may not** be considered. Tenders received after other tenders have been opened **will not** be received.
- Reasons for acceptance or non-acceptance must be documented.

### **(c) Tenders received by Fax/Email.**

Tenders received by fax/email shall be accepted as long as the original documents are received within 2 days.

## **(4) Evaluation of tenders**

### **(a) General**

East Waste recognises that the lowest priced tender does not necessarily represent the best solution or best value for the purchase of a particular good or service.

Other factors must be taken into account including:

- Relevant experience
- Past performance history
- Technical expertise
- Management capability
- Ecological impact of product production or disposal
- Environmental impact of service provision
- Financial position
- Compliance with tender documentation
- Compliance with OH&S

The tender specification document will identify the selection criteria to be used in the assessment of tenders.

**(b) Selection Panel**

A selection panel may be established for the evaluation of each tender. The panel is to be established by the East Waste Board prior to the closing of the tenders.

The panel may comprise of the following members, namely:

- General Manager
- Office Manager
- Operations Manager
- Chair
- Directors

It may be necessary in some tender evaluations to obtain the specialised services of an outside person in the selection of evaluation criteria. In these circumstances an additional person may be invited to be a member of the panel.

All panel participants shall not have a personal interest in the evaluation outcome and all information contained in the process shall remain confidential.

The role of the panel is to:

- Select the evaluation criteria that are seen as being appropriate for the tender.
- Ensure consistency of approach and that the tenders are evaluated according to the evaluation criteria and priorities advised to all tenderers through the conditions of tender documentation.

**(c) Comparative Evaluation Matrix**

The evaluation criteria that have been determined by the selection panel shall be rated in accordance with their perceived importance to the project

**(d) Price Comparison**

The weighting that price is given shall reflect the perceived risk associated with the purchase of the good or service. As an example, in purchasing computer software, the panel could decide that technical performance commands a higher rating than price.

**(e) Tender Recommendation**

The selection panel shall prepare a report to the East Waste Board meeting detailing the recommendation to award a contract.

The selection panel should deal with all tenders received, both conforming and non-conforming, and report on the tenders -

- In writing clearly stating the reasons for preferring one tenderer over another including the following:
  - the tender evaluation matrix.
  - a summary of each tender submission.
  - comments on the evaluation criteria for each tender.
- Outlining budget implications.
- Recommending a preferred tender.

#### **(5) East Waste Board consideration**

The East Waste Board will consider the tenders "In confidence" and the decision will be recorded in the public minutes.

#### **Contract award**

##### **(1) Awarding of Contract**

The successful tenderer shall be notified as soon as practicable through the issuing of a letter of acceptance.

The letter of acceptance shall contain the following information:

- a confirmation of the contract number and title.
- a statement that the submitted tender with details of post tender negotiations (if any) has been accepted by East Waste.
- a requirement to execute a formal instrument of agreement.
- a request to provide copies of insurances as required under the contract documentation.
- confirmation of the Superintendent, if required.

##### **(2) Unsuccessful Tenderers**

Once the contract has been signed all unsuccessful tenderers shall be notified in writing on the outcome of their tender. Information provided shall be as follows:

- a confirmation of the contract number and title.
- the name of the successful tenderer.

##### **(3) Debriefing to Unsuccessful Tenderers.**

From time to time unsuccessful tenderers may request further information in order to learn from the tender experience. In these circumstances a member of the evaluating panel may discuss the evaluation process in general terms.

The information supplied shall be sensitive to the general commercial in confidence requirements of the other tenderers.

## **Purchase of goods & services**

In fulfilling East Waste's purchasing role, the following principles will apply:

- Consistency with and relevance to East Waste's Business Plan.
- Transparency and accountability in purchasing procedures and practices to ensure that East Waste purchases at the best price and that all potential suppliers are given equal opportunity to provide the required goods and services.
- Compliance with statutory and other obligations.
- Commercial confidentiality.

### **(1) Purchasing options**

Generally, East Waste will purchase goods through adoption of the following approaches:

- Direct purchase – where there is only a single supplier or the particular circumstances involvement of only one potential supplier.
- Quotation – seeking quotations from two or more suppliers.
- Selected Tender – seeking tenders from a limited number of suppliers on the basis of, for example, location, previous performance, the result of an Expression of Interest process.
- Open Tender – seeking tenders from the market at large through an open invitation process e.g. Advertisement.

In identifying the circumstances in which to apply these options, East Waste will consider a number of issues, e.g.

- The number of known suppliers of the goods or services.
- The total estimated value of the purchase.
- Delegation limits taking into consideration accountability, responsibility, operational efficiency and urgency of supply.
- Previous experience with suppliers.
- Compliance with statutory obligations.



### Governance

This Policy will be reviewed every two years by the Board. However, the Board has the discretion to review this Policy at any time in order to take into account any significant new information, legislative, or organisational change which may warrant an amendment to this document.

A review of this Policy will incorporate consultation with the Constituent Councils.

Copies of the Policy are available from the East Waste website [www.eastwaste.com.au](http://www.eastwaste.com.au) or the Authority's office at 1 Temple Court Ottoway SA 5013.

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This Policy was approved by the Board at its meeting on 2 May 2013

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### *Review history*

*Nil*



# Internal Audit Report

## Payroll Function

January 2018

**Eastern Waste Management Authority Inc.**



Dean Newbery & Partners  
CHARTERED ACCOUNTANTS

[deannewbery.com.au](http://deannewbery.com.au)

5 April 2018

Mr Rob Gregory  
General Manager  
Eastern Waste Management Authority Inc.  
1 Temple Court  
**OTTOWAY SA 5013**

Dear Rob

**RE: Internal Audit Report – Eastern Waste Management Authority Inc. Payroll Function**

Dean Newbery & Partners were engaged in December 2017 to undertake an internal audit review of the payroll function of the Eastern Waste Management Authority Inc.

We have now finalised our review and prepared a report summarising our findings and recommendations. Our review encompassed internal controls and transactions applicable to the period 1 July 2017 and 31 December 2017.

Please contact me on 8267 4777 or [sam@deannewbery.com.au](mailto:sam@deannewbery.com.au) if you have any queries with regard to our report.

Yours sincerely

**DEAN NEWBERY & PARTNERS**



**SAMANTHA ALLARD**  
**Partner**

C. Chairman  
C. Audit and Risk Committee

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## Inherent Limitations

Due to the inherent limitation of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to this review operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by the Authority management and personnel. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed. The findings expressed in this report have been formed on the above basis.

## Third Party Reliance

This report is solely for the Authority's information, and is not to be used for any other purpose or distributed to any other party without Dean Newbery & Partners Chartered Accountants' prior consent. This Report has been prepared at the request of the Authority management or its delegate. Other than our responsibility to the management of the Authority, neither Dean Newbery & Partners Chartered Accountants nor any member or employee of Dean Newbery & Partners Chartered Accountants undertakes responsibility arising in any way from reliance placed by a third party, included but not limited to the Authority's external advisors, on this report. Any reliance placed is that party's sole responsibility.

Liability limited by a scheme approved under Professional Standards Legislation

# 1. Executive Summary

Our findings of the internal audit have identified a number of areas in which improvements in the Authority's internal control environment could be improved. We are pleased to note that our audit testing did not revealed any material errors in payroll calculations or legislative compliance issues.

Due to the small nature of the Authority's Administrative staff, inherent risks exist in the form of reduced ability to segregate duties, greater potential for management override of internal controls and limited, experienced back-up staff resources available. These inherent risks and limitations are consistence with what we would expect from other organisations of a similar size and nature.

Where possible, compensating controls have been implemented to strengthen and enhance detective and preventative internal controls in operation.

Given the responses provided by the Authority's management within this report, we are confident that all matters raised are, or are in the process of being, adequately addressed.

A summary and residual risk rating of our findings and recommendations are outlined below;

Item Reference	Findings and Recommendation	Residual Risk Rating
5.1	Documented policies and/or procedures	High
5.2	No evidence of review of the daily sign in/out sheets	High
5.3	Payroll Officer Role	High
5.4	Transition to Single Touch Payroll	High
5.5	Response to errors identified by the Administration	Moderate
5.6	Transition to electronic employee sign in/out system	Moderate
5.7	Security of employee personnel files	Moderate
5.8	Employee Deductions	Low
5.9	Future expiration of workplace agreement	N/A

Refer to [Section 5](#) for our detailed findings and our recommendations.

[Appendix A](#) of this report provides for the framework adopted to assess the level of residual risk attributable to each of our findings and recommendations.

## 2. Introduction

### 2.1 Purpose and Structure of this Report

This document has been prepared to communicate all audit findings from our internal audit work conducted of the Authority's payroll function. The scope of the audit per our engagement was to review internal controls in operation between 1 July 2017 and 31 December 2017.

Our communication with you is important to ensure that we:

- share information to assist those charged with governance to fulfil their respective responsibilities;
- provide you with a summary of our observations and detailed constructive recommendations to further enhance the strength and effectiveness of the Authority's internal control framework arising from the work we conducted;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect to the risks surrounding the payroll function as well as other risks facing the Authority; and
- receive feedback from the Authority's Administration and Board as to the performance of the engagement team.

Background information relevant to the Authority's payroll function is provided in section 3. Details of our audit procedures performed during this engagement is outlined in Section 4 and our findings and internal control recommendations are in section 5. Appendix A outlines the framework adopted to assess the level of risk attributable to each of our findings and recommendations.

### 2.2 Scope and Objective of the Internal Audit

This engagement involves an internal audit of the Payroll function's processes and procedures of the Authority between July 2017 and December 2017. The Authority's use and reporting of agency staff was outside the scope of this audit. The key objectives of the audit is to;

- Assess the activities in respect of the Payroll operations in areas including; compliance with legislation, employee awards and agreements, security of data, processes and internal controls over systems through all stages of employment and payment processes.
- Assess internal processes used by the Authority including an assessment of the adequacy of existing policies, procedures and other instruction guidelines. This will involve an independence analysis to ensure the processes are efficient and effective with comparison to best practices.
- Review internal controls in comparison to industry best practice to identify any gaps in controls performed.
- Review the processes surrounding wage rates, leave conditions, loadings, allowances, deductions, overtime, superannuation, hours worked (timesheets) etc.
- Consider the appropriateness of the segregated duties from an internal control perspective considering the level of resources available and organisational structure.
- A review of the processes surrounding the commencement, cessation and termination of staff
- Undertake substantive transaction testing, on a sample basis, to ensure adequacy and effectiveness of internal controls.

# 3. Background Information

Information relevant to understanding the complexity and required resources to maintain the Authority's payroll function is provided below.

3.1 Information																											
<b>Payroll timing</b>	Payment frequency: Weekly Pay period: Wednesday - Tuesday Pay is processed: Wednesday follow the pay period Pay day: Thursday following the pay period																										
<b>Accounting software</b>	MYOB AccountRight Plus																										
<b>Staff numbers by category</b>	<table> <tr><td>Drivers (Inc. 3 part-time Casuals)</td><td>40</td></tr> <tr><td>Diesel Mechanics</td><td>3</td></tr> <tr><td>Customer Service Officers</td><td>3</td></tr> <tr><td>General Manager</td><td>1</td></tr> <tr><td>Manager Corporate Services</td><td>1</td></tr> <tr><td>Business Improvement Manager – Operations</td><td>1</td></tr> <tr><td>Operations Manager</td><td>1</td></tr> <tr><td>Driver Supervisor</td><td>1</td></tr> <tr><td>Incident &amp; Quality Officer</td><td>1</td></tr> <tr><td>Finance &amp; Executive Administration Officer</td><td>1</td></tr> <tr><td>Workshop Administrator</td><td>1</td></tr> <tr><td>Other</td><td>2</td></tr> <tr><td><b>Total Employees</b></td><td><b>53</b></td></tr> </table>	Drivers (Inc. 3 part-time Casuals)	40	Diesel Mechanics	3	Customer Service Officers	3	General Manager	1	Manager Corporate Services	1	Business Improvement Manager – Operations	1	Operations Manager	1	Driver Supervisor	1	Incident & Quality Officer	1	Finance & Executive Administration Officer	1	Workshop Administrator	1	Other	2	<b>Total Employees</b>	<b>53</b>
Drivers (Inc. 3 part-time Casuals)	40																										
Diesel Mechanics	3																										
Customer Service Officers	3																										
General Manager	1																										
Manager Corporate Services	1																										
Business Improvement Manager – Operations	1																										
Operations Manager	1																										
Driver Supervisor	1																										
Incident & Quality Officer	1																										
Finance & Executive Administration Officer	1																										
Workshop Administrator	1																										
Other	2																										
<b>Total Employees</b>	<b>53</b>																										
<b>Bank authorisation procedures</b>	Two authorised employees are required to electronically authorise and release funds. Each authorised employee has their own unique individual username and passwords which are assigned to their Bank SA security tokens.																										
<b>Current employee agreements</b>	East Waste Collective Workplace Agreement 2015 South Australian Municipal Salaried Officers Award Local Government Employees Award																										
<b>Annual employee costs</b>	2017																										
(As per the audited 30 June 2017 financial statements)	\$'000																										
	Salaries and Wages 3,922																										
	Employee leave expense (114)																										
	Superannuation 308																										
	Wages Casual Agency 718																										
	Workers' Compensation Insurance 200																										
	Other 130																										
	<b>Total Operating Employee Costs 5,164</b>																										

## 4. Audit Procedures Performed

In performing the audit field work, the following audit procedures were undertaken:

### 4.1 Onsite reviews and audit testing conducted

- Review of current MYOB database controls, system access and backup procedures
- Review compliance with ATO reporting obligations and compliance
- Perform substantive transaction payroll testing, on a sample basis, to test for accuracy for the following;
  - Pay As You Go (PAYG) Withholding calculations
  - Employee superannuation deductions
  - Pay rates were consistent with the employee's classification within their Employment Agreements
  - Any leave that was provided corresponds to the appropriately authorised leave application form
  - Weekly Net pay figures were matched from the MYOB reports to the bank statements
- Review of current employment agreements and compliance with agreed terms and obligations under these agreements
- Review of leave entitlement accrual, approval and reporting controls (including for leave entitlements allowable under Fair Work for parental leave, etc.)
- Review of the recording and monitoring of Fatigue Management for the drivers to ensure this is managed in accordance with the Nation Heavy Vehicles (Fatigue Management) Regulations
- Review controls and reporting around the administration of overtime worked by employees
- Audit testing surrounding employee personnel files by ensuring the following documentation was retained;
  - Tax File Declaration Forms
  - Current Employment Contract
  - Performance Valuation documentation
  - Incident Reports
- Review of record retention processes and controls
- Review the controls over the authorisation of bank files
- Review a sample of processed newly inducted and terminated employees
- Review a sample of employee contracts and agreements to ensure terms and conditions of employment are being correctly administered
- Audit Testing over daily sign in/out sheets and weekly timesheets to ensure employee staff time is being allocated in the MYOB software appropriately / accurately

## 5. Findings and Recommendations

Below details the significant findings of our internal audit and our recommendations to improve the internal control environment. Responses provided by the management of the Authority have been included.

5.1 Documented policies and/or procedures			
Risk Rating	Consequence: Moderate	Likelihood: Likely	Overall Risk Rating: High
<b>Description</b>  It was noted that there are minimal documented procedures for the payroll process. It is important that procedures are documented, to ensure that critical corporate knowledge is not lost in the event that key staff are not available (on a temporary and/or permanent basis).			
<b>Recommendation</b>  To ensure that critical corporate knowledge is not lost in the event key staff either are not available or leave the Authority, we recommend the Administration develop detailed Documented Procedures that outline in detail the current payroll procedures and practices.			
<b>Management's Response</b>  Supported and previously identified. Implementation to date delayed by the integration of Kronos and resignation of the Office Administrator. Priority for new Finance and Executive Administration Officer for all processes to be documented.			



## 5.2 No evidence of review of the daily sign in/out sheets

**Risk Rating**      **Consequence:** Moderate      **Likelihood:** Likely      **Overall Risk Rating:** High

### Description

Audit testing identified that there was no documented evidence retained of daily sign in/out sheets being reviewed and authorised by the Manager/Supervisor on duty.

### Recommendation

Recommend evidence of a review is retained by way of a signature. This will improve the internal controls over the approval processes of employee overtime and the accuracy of the time worked by employees.

### Management's Response

The start time of each Driver is signed off by either the Driver Supervisor or Operations Manager, depending who is rostered on. The finish time of Drivers is recorded, however not signed off in the timebook. The process is not documented, however sporadic reports are run through Fleetmax (GPS tracking system), and by also cross referencing with the Daily driver run sheets, confidence on the accurate recording of finish times is gained. Full integration of Kronos will see more regular reports run to provide further controls.

## 5.3 Payroll Officer Role

**Risk Rating**      **Consequence:** Major      **Likelihood:** Possible      **Overall Risk Rating:** High

### Description

The Office Administrator position is the key employee responsible for processing all payroll data and information. The individual who occupied this position terminated their employment with the Authority on 12 January 2018. Given the organisational structure of the Authority, this role is currently the only position in the Administration that has the capability, experience and technical knowledge to process payroll transactions.

Payroll transactions are also complicated by the fact that payroll costs must be costed across a number of different Member Councils and their specific services so that costs can be accurately recorded against each service provided by the Authority to their Member Councils.

### Recommendation

Given the recent departure of the Office Administrator officer, this highlights the importance of documenting procedures and processes to enable temporary staff or external contractors to process payroll transactions if/when needed.

In our assessment, given there are no other qualified staff/resources internally to undertake this function in the event the Office Administrator is absent, there is an inherent risk that there is no suitable back-up payroll officer currently trained to undertake this role should it be required.

### Management's Response

Following the full integration of Kronos and consolidation of processes the intention is to train and by way of regularly undertaking, have a minimum of two other staff trained to carry out the Payroll function.

## 5.4 Transition to Single Touch Payroll

Risk Rating

Consequence: Major

Likelihood: Possible

Overall Risk Rating: High

### Description

As at 1 July 2018 the Authority will be impacted by the new Single Touch Payroll reporting requirements. These new reporting requirements will involve the electronic reporting of employee payroll information (including salaries, wages, and PAYG withholding and superannuation information) directly to the ATO at the time in which the payroll is processed.

### Recommendation

Recommend the Authority allocate appropriate resources to ensuring the Authority's systems and processes can accommodate the upcoming reporting requirements.

### Management's Response

Noted.

## 5.5 Response to errors identified by the Administration

Risk Rating

Consequence: Moderate

Likelihood: Possible

Overall Risk Rating: Moderate

### Description

During the FY2018, the Authority's Administration identified that drivers were being paid for 40 hours in addition to accruing 2 hours of RDO entitlement per week. This was not consistent with the current Enterprise Bargaining Agreement that stated staff were to be paid for 38 hours and accruing 2 hours RDO entitlement per week. This matter was reported to the Authority's Board and a resolution was passed at the 16 September 2017 Board Meeting instructing the Administration to correct this practice as a matter of priority. The Authority's Administration acted on the Board's instructions and payroll procedures were updated to correct this matter effective as from the pay week ended 10 October 2017. The correction was made on a prospective basis only. No correction was made to any retrospective payments to employees.

Sample audit testing of payroll transactions processed since 10 October 2017 has been undertaken as part of our internal audit work. Audit testing conducted revealed that the correction to the RDO accrual and payroll payment error had been appropriately corrected.

### Recommendation 1

In order to reduce the risk of future payroll processing inaccuracies occurring again, we recommend on an annual basis the Authority arrange for an independent review (i.e. internal audit) to be undertaken.

### Management's Response

Annual Audit support. Through the implementation of the recommendations contained within this report, coupled with improved system processes (i.e. implementation and integration of Kronos), the opportunity or likelihood of ongoing errors will be significantly reduced. However given the inherent risks of a small Administrative Team and with Payroll accounting for approximately 45% of total expenditure it is imperative and appropriate checks and balances are undertaken.

### Recommendation 2

We recommend a follow-up review of the payroll internal controls is undertaken post this exercise to ensure any changes to the internal control environment made as a result of our recommendations made are operating effectively and as intended. A review period of no longer than 12 months from the date of implementation of additional internal controls is recommended.

### Management's Response

Supported. Suggest undertaking as first annual audit referred to in the above response. Will provide critical guidance and review of new incumbent within the Finance and Executive Administration role.

## 5.6 Transition to electronic employee sign in/out system

**Risk Rating**      **Consequence:** Minor      **Likelihood:** Likely      **Overall Risk Rating:** Moderate

### Description

The Authority use a manual 'daily sign in and out sheet' to record the time worked by all drivers and operations staff (i.e. excludes Administration and Customer Service staff). The information contained within the daily sign in and out sheets is used by the Office Administration to manually complete a weekly timesheet for the employees.

Kronos employee software system has been purchased which will enable real time, electronic monitoring and recording of employee sign in/out times. This system has not been integrated into current operations and there continues to be significant manual calculations undertaken on a weekly basis by the Administration to calculate employee hours worked.

### Recommendation

Recommend additional resources now be allocated to fully integrate the Kronos system within the MYOB database.

The implementation of the electronic time recording and monitoring system will significantly reduce the time spent by the Office Administrator manually inputting data into the MYOB system and reduce the risk of human data entry error. This software will also provide for a level of reporting that will assist in the Administration monitoring the hours of overtime worked by employees.

### Management's Response

Noted. In the process of integration, however delayed with the resignation of the Office Administrator. Will be a priority task for new Finance and Executive Administration Officer.

## 5.7 Security of employee personnel files

**Risk Rating**      **Consequence:** Major      **Likelihood:** Unlikely      **Overall Risk Rating:** Moderate

### Description

It was noted that all payroll personnel files are held in hard copy form and copies of this documentation does not exist either in duplicate hardcopy or electronic form. This presents the risk of loss of data in the unlikely event of the office being damaged (e.g. by fire).

### Recommendation

Recommend all employee personnel file data are scanned and retained electronically, in a secure network file, to reduce the risk of loss of data.

### Management's Response

Noted and previously identified. Development of a Records Management system compliant with the State Records Act 1997, listed as a key task within the 2018/19 Draft Annual Plan.

## 5.8 Employee Deductions

Risk Rating

Consequence: Minor

Likelihood: Possible

Overall Risk Rating: Low

### Description

The Authority provide the ability for staff to enter into a payroll deduction arrangement in which the Authority will retain a portion of the employees' wages, via a payroll deduction, into a separate bank account. At the end of the calendar year, the sum of money deducted from the employee throughout the year is paid back to the employee.

It was discussed with the Administration that this arrangement is not documented in the employee agreements or any internal policy or procedure. It was also noted that at the end of financial year, no liability is recognised in the general ledger nor in the annual financial statements for the balance of the money owed to employees who have taken up this deduction option. Currently the bank account that holds these deductions, call the Social Club Bank Account, is being recorded in the financial records but no corresponding liability. The amount held in the bank account as at 30 June 2017 was approximately \$16,000. This amount is deemed an immaterial amount from a financial reporting basis however it is important from a recognition and completeness basis that this liability is recorded.

### Recommendation

Recommend that this payroll arrangement be documented in the Documented Policies and/or Procedures, discussed in Item 4.4 below should the Authority agree to continue this arrangement. Should the payroll deduction arrangement continue, we recommend a liability, equal to that of the Social Club bank account balance, as at the end of financial year is recognised in the accounts as at 30 June 2018.

### Management's Response

This is a legacy arrangement from a time when there was a more active Social Club and functioning Gym. While not forming part of the upcoming enterprise Agreement negotiations, this will be discussed and resolved.

## 5.9 Future expiration of workplace agreement

Risk Rating      Consequence: N/A      Likelihood: N/A      Overall Risk Rating: N/A

### Description

The employment agreement, 'East Waste Collective Workplace Agreement 2015' is due to expire in August 2018. All other employee agreements remain in force, subject to variation or until rescinded or replaced.

### Recommendation

Recommend that adequate provisions are made within the Authority's budget to fund any external advisors/consultants needed to assist with the review of the agreement. This is to ensure that the agreement is appropriately reviewed and implemented in accordance with the *Fair Work Act 1999* and other statutory/regulatory requirements specific to the Authority's workplace.

### Management's Response

Noted. Provisions have been allocated for in the draft 2018/19 budget for the engagement of a HR Consultant and Legal advice, where required.

## 6. Appendix A – Risk Ratings

The following risk matrix and descriptions outline the framework adopted to assess the level of risk attributable to each finding and recommendation in Section 5 above.

### Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	E	Moderate	High	High	Extreme	Extreme
Likely	D	Low	Moderate	High	Extreme	Extreme
Possible	C	Low	Low	Moderate	High	Extreme
Unlikely	B	Low	Low	Low	Moderate	High
Rare	A	Low	Low	Low	Moderate	High

### Likelihood Ratings

Rating	Description
E. Almost Certain	Is expected to occur in most circumstances
D. Likely	Will probably occur in most circumstances
C. Possible	Might occur at some time
B. Unlikely	Could occur at some time
A. Rare	May occur only in exceptional circumstances

## Consequence Ratings

	Socio-political & Community issues	Business Impact	Public Safety	Environment
1. Insignificant	<ul style="list-style-type: none"> <li>No adverse effect on public image</li> <li>Insignificant level of community concern</li> <li>Negligible adverse impact upon social health and well-being of the community which has little or no impact upon established community relationships and links.</li> </ul>	<ul style="list-style-type: none"> <li>Low financial loss – impact of less than \$5k</li> <li>Small delays in undertaking routine needs or tasks for ½ day.</li> </ul>	<ul style="list-style-type: none"> <li>No injuries or no significant injuries</li> <li>Negligible loss or damage to property / infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>“Nuisance” category under the SA Environment Protection Act (1993) met</li> <li>Contamination – on-site release immediately contained</li> <li>Slight, quickly reversible damage to few species.</li> </ul>
2. Minor	<ul style="list-style-type: none"> <li>Minor adverse effect on public image</li> <li>Minor level of community concern</li> <li>Minor adverse impact upon social health &amp; well-being of the community that may have a minor impact upon established community relationships &amp; links.</li> </ul>	<ul style="list-style-type: none"> <li>Medium financial loss – impact of between \$5k and \$20k</li> <li>Minor impact in undertaking routine needs or tasks for 1 day.</li> </ul>	<ul style="list-style-type: none"> <li>First aid treatment required</li> <li>Minor loss or infrastructure damage.</li> </ul>	<ul style="list-style-type: none"> <li>“Nuisance” category under SA Environment Protection Act (1993) met</li> <li>Some minor adverse effects to few species/ ecosystem parts that are short term and immediately reversible.</li> </ul>
3. Moderate	<ul style="list-style-type: none"> <li>Moderate adverse effect on public image</li> <li>Moderate level of community concern</li> <li>Social health and well-being of the community affected by moderately reduced opportunities for participation in community life and/or decision making, moderate incidences of increased isolation etc.</li> </ul>	<ul style="list-style-type: none"> <li>High financial loss – impact of between \$20k and \$50k</li> <li>Capability / production impaired, moderate impact on stakeholders &amp; routine needs or tasks for 1 – 3 days.</li> <li>Minor legal issues, non-compliances and breaches of regulation.</li> </ul>	<ul style="list-style-type: none"> <li>Medical treatment required</li> <li>Moderate loss/or infrastructure damage.</li> </ul>	<ul style="list-style-type: none"> <li>“Material” category under the SA Environment Protection Act (1993) met</li> <li>Contamination – on-site release contained with outside assistance</li> <li>Temporary, reversible damage, loss of habitat and migration of animal population, plants unable to survive, pollution requires physical removal, land contamination localised and can be quickly remedied.</li> </ul>



## Consequence Ratings (cont.)

	Socio-political & Community issues	Business Impact	Public Safety	Environment
4. Major	<ul style="list-style-type: none"> <li>Major adverse effect on public image</li> <li>Significant level of community concern</li> <li>Social health and well-being of the community seriously affected by major community unrest and/or significant breakdown of established community relationships and links.</li> </ul>	<ul style="list-style-type: none"> <li>Major financial loss - impact of between \$50k and \$100k</li> <li>Loss of capability, disruption to production, major impact on stakeholders &amp; routine needs or tasks for 3 – 5 days.</li> <li>Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible.</li> </ul>	<ul style="list-style-type: none"> <li>Serious &amp; extensive injuries</li> <li>Serious structural damage to infrastructure or serious loss of assets.</li> </ul>	<ul style="list-style-type: none"> <li>“Serious” category under the SA Environment Protection Act (1993) met</li> <li>Contamination – off-site release with no detrimental effects</li> <li>Death of individual animals, large scale injury, loss of keystone species and widespread habitat destruction.</li> </ul>
5. Catastrophic	<ul style="list-style-type: none"> <li>Huge effect on public image</li> <li>Community outrage</li> <li>Social health &amp; well-being of the community hugely affected by major community unrest and/or significant breakdown of established community relationships &amp; links.</li> </ul>	<ul style="list-style-type: none"> <li>Huge financial loss/exposure – impact greater than \$100k</li> <li>Loss of production/capability, failure to meet stakeholder’s needs for more than 5 days</li> <li>Projects &amp; programs failure, inability to meet minimum acceptable standards, most objectives not met</li> <li>Major breaches of regulation, major litigation.</li> </ul>	<ul style="list-style-type: none"> <li>Fatalities</li> <li>Critical loss, irreversible damage property / infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>“Serious” category under the SA Environment Protection Act (1993) met</li> <li>Toxic release off-site with detrimental effect</li> <li>Death of animals in large numbers, destruction of flora species, air quality requires evacuation, permanent and wide spread land contamination, irreversible soil erosion or severe compaction, widespread introduction of weeds.</li> </ul>

### 7.3: REVIEW OF SALE AND DISPOSAL OF LAND AND OTHER ASSETS POLICY

**REPORT AUTHOR:** Manager, Corporate Services

**ATTACHMENTS:** A: Asset Policy Review – Audit Actions

B: Sale and Disposal of Land and Other Assets Policy (current)

C: Sale or Disposal of Assets Policy (proposed)

#### Purpose of the Report

To provide the East Waste Board (the Board) with an opportunity to adopt East Waste's (amended) Sale or Disposal of Assets Policy.

#### Background

East Waste has and continues to comply with legislative requirements relating to the sale and/or disposal of assets. East Waste has, since May 2013 complied with the attached Sale and Disposal of Land and Other Assets Policy (Attachment B) for the sale or disposal of East Waste Assets. This policy was established in consideration and adherence to:

- Section 49 (1)(d) – the sale or disposal of land or other assets of the *Local Government Act, 1999* (the Act); and
- Clauses 10.9 and 64 of the East Waste Charter.

Section 49(1)(d) – <i>Local Government Act 1999</i>	(a1) A council must develop and maintain procurement policies, practices and procedures directed towards— (a) obtaining value in the expenditure of public money; and (b) providing for ethical and fair treatment of participants; and (c) ensuring probity, accountability and transparency in procurement operations. (1) Without limiting subsection (a1), a council must prepare and adopt policies on contracts and tenders, including policies on the following: (a) the contracting out of services; and (b) competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and (c) the use of local goods and services; and <b>(d) the sale or disposal of land or other assets.</b>
Clause 10.9 of the East Waste Charter	The Authority may dispose of any real or personal property in accordance with the Business Plan or otherwise with a Unanimous Decision of the Constituent Councils.
Clause 64 of the East Waste Charter	The Authority may dispose of (personal) assets as its Business Plan provides, or at the end of the asset's economic life.

The policy is due for review, and is an observation supported by the LGA Worker's Compensation Scheme, who undertook an audit of East Waste's Risk Management Framework in late November 2017. The findings of the audit were tabled before the Audit and Risk Management Committee (the Committee) at their 12 February 2018 meeting, and the Board at their 22 February 2018 meeting. The Board resolved:

### 7.3 2017 LGA RISK EVALUATION SUMMARY & ACTION PLAN

*Moved Cr Busato that the Board:*

1. *Receive and note the findings of the Local Government Association Worker's Compensation Scheme 2017 Risk Evaluation as presented in Attachment A; and*
2. *Note and support the Action Plan to address outstanding conformance matters identified in the 2017 Risk Evaluation.*

*Seconded Cr Piggott*

**Carried**

The relevant action relating to the Sale and Disposal of Land and Other Assets Policy is included at Attachment A.

#### **Report**

In accordance with the Action described in Attachment A, this Agenda Item was tabled before the Audit and Risk Management Committee at their meeting held 18 April 2018. The Committee resolved:

### 4.3 REVIEW OF SALE AND DISPOSAL OF LAND AND OTHER ASSETS POLICY

*Moved Mr Barone*

That the Committee recommend the draft Sale or Disposal of Assets Policy, as amended per the following clauses:

- a) Clause 2.1.1: to be deleted;
- b) Clause 2.1.5: the wording be deleted and replaced with the following wording:  
"Expression of Interest" – means an Expression of Interest (EOI) is advertised to the entire market e.g. SA Tenders Website accompanied by an advertisement.
- c) The clauses under 2.1 are renumbered in accordance with deletion of clause 2.1.1;
- d) Clause 3.2.3: the wording be deleted and replaced with the following wording:  
"Expression of Interest";
- e) Clause 3.2.5: to be deleted; and
- f) Clause 3.3.4: the wording be amended to include the words "and report to the Board" after the word 'record'.

*Seconded Cr Hockley*

**Carried**

These amendments have been included in the proposed Policy as presented in Attachment C. It is therefore proposed that the Board consider Attachment C as East Waste's preferred Sale or Disposal of Assets Policy moving forward. This draft is consistent with the requirements of the Act and East Waste Charter, and also aligns with Asset Management Policies adopted by East Waste's Member Councils.

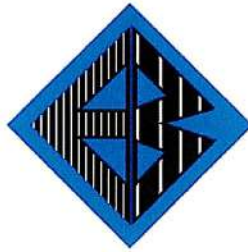
The proposed policy is contemporary, meets legislative and auditing requirements and is supported by the Instrument of Sub-delegations.

#### **RECOMMENDATION**

**The Board adopt the Sale or Disposal of Assets Policy as presented in Attachment C.**

## Attachment A – Asset Policy Review – Audit Action

Action	Responsibility	Scheduled Completion	Response to Audit Results
<b>Asset Management</b>			
Procurement, Contracts & Tenders (Policy review and use of local goods and services)	Manager, Corporate Services	May 2018	Sale and Disposal of Land and Other Assets will be tabled for review at the April 2018 meeting of the Audit and Risk Management Committee.



## **Eastern Waste Management Authority**

Trading as

**East Waste**

# ***Sale and Disposal of Land and Other Assets Policy***

**Adopted: May 2013**

This Policy has been developed and adopted by the Eastern Waste Management Authority to ensure a fair, transparent and accountable process in the sale of land and other assets

## **Sale and Disposal of Land and Other Major Assets**

The Board of the Eastern Waste Management Authority (the Authority) trading as East Waste will approve the sale of land and other major assets.

Clause 10.9 of the Authority's Charter states (in part) that the Authority has the power to "*dispose of any real or personal property in accordance with the Business Plan or otherwise with a Unanimous Decision of the Constituent Councils*". Clause 64 of the Authority's Charter states that "*The Authority may dispose of (personal) assets as its Business Plan provides, or at the end of the asset's economic life.*"

Generally, East Waste will sell or dispose of land and other assets through adoption of the following practices:

- Direct sale – advertisement for sale at a specified price and the nature of the advertisement being public notice, local paper etc.
- Quotation – seeking quotations for the sale of land and other assets.
- Selected Tender – seeking tenders from a selected group of persons/companies etc.
- Open Tender – openly seeking, through advertisement, tenders, or buyers for land and other assets.

In identifying the circumstances to apply these options, East Waste will consider a number of issues, e.g.

- The number of known potential purchasers of the land or assets.
- The original intention for the use of the land or asset when purchased, where relevant.
- The current and possible preferred future use of the land or assets.
- The total estimated value of the sale.
- Delegation limits taking into consideration accountability, responsibility, operational efficiency and urgency of the sale.
- Compliance with statutory and other obligations.

## **Disposal of Assets**

Disposal of vehicles and major plant shall be by:

- Trade-in on new items, or
- Auction, independent of new purchases, or
- Sale by tender

except that with the approval of the East Waste Board selected items may be disposed of by other means.

All items for disposal shall be listed and authorised by the General Manager. The General Manager has the authority to declare assets surplus to requirements and to dispose of these assets up to a written down value of \$10,000.

The Office Manager is to be advised of the sale of all assets and the amount received so that East Waste's asset register can be updated.

Receipts are to be given to the purchaser of any asset with all monies received to be forwarded to the East Waste office.



## Governance

This Policy will be reviewed every two years by the Board. However, the Board has the discretion to review this Policy at any time in order to take into account any significant new information, legislative, or organisational change which may warrant an amendment to this document.

A review of this Policy will incorporate consultation with the Constituent Councils.

Copies of the Policy are available from the East Waste website [www.eastwaste.com.au](http://www.eastwaste.com.au) or the Authority's office at 1 Temple Court Ottoway SA 5013.

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This Policy was approved by the Board at its meeting on 2 May 2013

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### *Review history*

*Nil*



<b>Policy:</b>	Sale or Disposal of Assets
<b>Responsibility for Review:</b>	General Manager
<b>Relevant Legislation:</b>	<i>Local Government Act 1999</i>
<b>Relevant Documents:</b>	East Waste Charter Asset Management Register
<b>Policy Superseded by this Policy on its Adoption:</b>	Sale and Disposal of Land and Other Major Assets – May 2013
<b>Adoption Authority:</b>	East Waste Board
<b>Date of Adoption:</b>	
<b>Minute Reference for Adoption:</b>	
<b>Next Review:</b>	No later than November 2020

## 1. INTRODUCTION

This policy provides a framework relating to the sale or disposal of assets and outlines Eastern Waste Management Authorities (East Waste's) approach in preparing an asset for sale or disposal in accordance with Clauses 10.9<sup>1</sup> and 64<sup>2</sup> of the East Waste Charter.

## 2. INTERPRETATION

2.1 For the purpose of this Policy:

~~2.1.1 “Direct Approach” is a procurement process undertaken by directly approaching and negotiating with one or more suppliers, without testing the market.~~

2.1.~~12~~ “Employee” means a person employed by East Waste.

2.1.~~23~~ “Open Tender” means a tender that is advertised to the entire market via an open invitation process e.g. SA Tenders website accompanied by an advertisement.

2.1.~~34~~ “Public Auction” a sale of property/asset where the property/asset is held for sale to the market and sold to the highest bidder.

2.1.~~45~~ “Expression of InterestSelect Tender”- means an Expression of Interest (EOI) is advertised to the entire market e.g. SA Tenders website accompanied by an advertisementinvolves the selection of suppliers that will be invited to tender.

2.1.~~56~~ “Trade-in” involves including an asset owned by East Waste in the purchase of another asset, usually of similar characteristics, in order to achieve an efficient asset change-over transaction.

1. Clause 10.9 of the East Waste Charter states (in part) that the Authority may dispose of any real or personal property in accordance with the Business Plan or otherwise with a Unanimous Decision of the Constituent Councils.
2. Clause 64 of the East Waste Charter states that the Authority may dispose of (personal) assets as its Business Plan provides, or at the end of the asset's economic life.



### 3. SALE OR DISPOSAL PRINCIPLES

- 3.1 Prior to commencing any process, the following key principles will apply:
  - 3.1.1 Consistency with and relevant to East Waste's Annual Plan and 10 Year Business Plan;
  - 3.1.2 Transparency and accountability in the sale and disposal procedures and practices, ensuring that East Waste obtains the best possible price in the circumstances surrounding the sale, and that all potential purchasers are given equal opportunity to purchase the asset(s);
  - 3.1.3 Compliance with the transaction amounts stipulated in the East Waste Charter and/or Instrument of Financial Sub-delegations (whichever is relevant to the sale or disposal);
  - 3.1.4 Compliance with statutory and other obligations;
  - 3.1.5 Where applicable, compliance with East Waste's Procurement Policy;
  - 3.1.6 Commercial confidentiality within legislative constraints; and
  - 3.1.7 Other relevant factors deemed appropriate by East Waste.
- 3.2 East Waste may utilise one or more of the following methods to sell or dispose of an asset(s):
  - 3.2.1 Trade-in;
  - 3.2.2 Public auction;
  - 3.2.3 Expression of Interest; or Select tender;
  - 3.2.4 Open tender; ~~or~~
  - ~~3.2.5 Direct approach to potential purchasers.~~
- 3.3 East Waste will evaluate the most appropriate method for the sale or disposal of asset(s) that includes:
  - 3.3.1 As far as possible, surplus assets or materials should be disposed of in a way that maximises returns whilst maximising open, transparent and effective competition;

- 3.3.2 East Waste approaching the market using a formal tender process for the sale of an asset where the value exceeds \$50,000;
- 3.3.3 East Waste, at its discretion, may determine not to call for tenders (clause 3.3.2) in respect of a particular sale or disposal where it is deemed it is in the best commercial interests of East Waste and its Constituent Councils;
- 3.3.4 East Waste will however record and report to the Board, –the reasons for utilising an alternative disposal method; and
- 3.3.5 East Waste's General Manager must ensure that no conflict of interest occurs in or as a result of the asset disposal process.

#### **4. UNSOLICITED PROPOSALS TO EAST WASTE FOR THE SALE OR DISPOSAL OF ASSETS**

- 4.1 In the event that an unsolicited proposal for the purchase of an asset is received; it should be directed to East Waste's General Manager in the first instance. The proposal should then follow the sale and disposal principles in section 3.3 of this Policy.

#### **5. SALE OR DISPOSAL TO EMPLOYEE/BOARD MEMBERS**

- 5.1.1 Sale of assets to employees/Board Members/Member Council staff and Elected Members is not to occur outside of a public process.
- 5.1.2 The Independent Commission Against Corruption (ICAC) also recommends that invitations to bid for the purchase of any surplus East Waste assets should not be limited to employee or to Board Members. Members of the public must also be allowed to compete for the purchase.

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## 7.4: RISK MANAGEMENT REVIEW

**REPORT AUTHOR:** Manager, Corporate Services  
**ATTACHMENTS:** A: Risk Management Review – Audit Actions  
B: East Waste Risk Management Framework  
C: DRAFT East Waste Risk Management Policy

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### Purpose of the Report

To provide the Board with the opportunity to adopt East Waste's (amended) Risk Management Framework and draft Risk Management Policy.

### Background

East Waste has in place an established Risk Management Framework (the Framework) that is applied across all of its operations and functions. The Framework is due for review, and is an observation that is supported by the LGA Worker's Compensation Scheme, who undertook an audit of East Waste's Risk Management Framework in late November 2017.

The findings of the audit were tabled before the Audit and Risk Management Committee (the Committee) at their 12 February 2018 meeting, and the Board at their 22 February 2018 meeting. The Board resolved:

### 7.3 2017 LGA RISK EVALUATION SUMMARY & ACTION PLAN

*Moved Cr Busato that the Board:*

1. *Receive and note the findings of the Local Government Association Worker's Compensation Scheme 2017 Risk Evaluation as presented in Attachment A; and*
2. *Note and support the Action Plan to address outstanding conformance matters identified in the 2017 Risk Evaluation.*

*Seconded Cr Piggott*

**Carried**

The relevant actions in relation to the Risk Management Audit are included at Attachment A.

### Report

In accordance with Actions described in Attachment A, this Agenda Item was tabled before the Audit & Risk Management Committee at their meeting held 18 April 2018. The Committee resolved:

### 4.4 RISK MANAGEMENT REVIEW

*Moved Cr Hockley that the Committee:*

1. *Recommends that the amended East Waste Risk Management Framework as presented in Attachment B, and inclusive of Committee amendments, being:*
  - a) *At pg. 81 of the Agenda Pack, dot point 1 wording be amended to read "A Fleet of collection vehicles, dot point 2 wording be amended to read "Human Resources (permanent and casual staff)";*
  - b) *At pg. 84 of the Agenda Pack, under the heading of "Responsibility" in the Strategic Risk table and Commercial Risk table, the words "and Audit and Risk Management Committee" be deleted;*

- c) *At pg. 92 of the Agenda Pack, dot point 2 under the heading “To assess a WHS situation”, the word “treatment” be deleted and replaced with “admission”; and*
- d) *At pg. 104 of the Agenda Pack, under the heading of “Reporting Regime”, the words “and Audit and Risk Management Committee” be deleted.*

*be adopted by the East Waste Board; and*

- 2. *Recommends that the draft East Waste Risk Management Policy, as amended per the following clauses:*
  - a) *Clause 5.2: the wording be amended to include the words “Consistent with the Policy review date” before the start of the Clause;*
  - b) *Clause 5.3: will become a new Clause as per the following wording:  
“East Waste’s Audit and Risk Management Committee will review East Waste’s Risk Registers every 12 months”;*
  - c) *The previous wording at Clause 5.3 will become Clause 5.4;*
  - d) *The previous wording at Clause 5.4 will become Clause 5.5; and*
  - e) *The previous wording at Clause 5.5 will become Clause 5.6.*

*be adopted by the East Waste Board.  
Seconded Mr Barone*

**Carried**

Attachment B shows track changes and identifies where amendments have been included, and where deletions have occurred. The amended Framework has been updated to reflect East Waste’s current business capabilities, inclusive of suggested amendments to the Risk Registers, which have been updated in accordance with Action 2 of Attachment A.

In addition to the amended Framework, an overarching Risk Management Policy has been drafted and proposed (Attachment C), which outlines East Waste’s commitment to Risk Management, and on-going maintenance of the Risk Management Framework. Attachment C is inclusive of input received from the Committee.

Subject to approval of the Framework and Policy, the amended framework will be implemented at East Waste, which will include training staff to ensure an understanding of, and compliance with, the adopted Framework.

## **RECOMMENDATION**

### **The Board:**

- 1. Adopt the amended East Waste Risk Management Framework as presented in Attachment B; and**
- 2. Adopt the draft East Waste Risk Management Policy as presented in Attachment C.**

## Attachment A - Risk Management Review – Audit Actions

Action	Responsibility	Scheduled Completion	Response to Audit Results
<b>Risk Management</b>			
Review of Risk Management Framework (including implementation across the organisation)	Manager, Corporate Services	May 2018	Audit indicates that whilst East Waste has a Risk Management Framework in place, it is due for review. The Risk Management Framework will be tabled before the Audit and Risk Management Committee in April 2018. The reviewed (and approved) framework will be subsequently implemented across the organisation, including the training of staff.
Update Risk Register	Manager, Corporate Services	May 2018	As per the above, audit indicates a review of the risk registers is due. Review will be undertaken as per above timelines and presented to a future meeting of the Audit and Risk Management Committee.

**EastWaste**



## Risk Management Framework

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## Introduction

All organisations have objectives. Their objectives are based on why they exist and what they plan to achieve.

The Australian New Zealand ISO Standard on Risk Management describes risk as the 'effect of uncertainty on objectives'. The Standard describes risk management as 'the coordinated activities to direct and control an organisation with regard to risk'. In simpler terms:

- Risk is the chance of something happening that will have an impact on objectives.
- Risk management is what is set in place to manage risks.

A risk management framework is a set of components that detail the arrangements for designing, implementing, monitoring, reviewing and continually improving risk management in an organisation.

Sound risk management contributes towards an organisation's financial sustainability and financial governance.

The Risk Management Standard requires that organisations embed risk management into their business organisations.

The purpose of this Risk Management Framework is to provide Staff and Board Members of the Eastern Waste Management Authority (East Waste), guidance in how to manage risk in a consistent and comprehensive way.

~~When implemented and maintained t~~his Risk Management Framework will assist East Waste to:

- Increase the likelihood of achieving objectives
- Encourage proactive management
- Be aware of the need to identify and treat risk throughout the organisation
- Improve the identification of opportunities and threats
- Comply with relevant legal and regulatory requirements
- Improve governance
- Improve stakeholder confidence
- Establish a reliable basis for decision making and planning
- Improve controls
- Effectively allocate and use resources for risk treatment
- Improve operational effectiveness and efficiency
- Enhance health and safety performance as well as environmental protection
- Improve loss prevention and incident management
- Minimise loss
- Improve organisational learning
- Improve organisational resilience



## The Standard

The Standard that underpins this framework is the Australian/New Zealand ISO Standard on Risk Management – AS/NZS 31000:2009~~99~~ (the Standard<sup>1</sup>)

## Risk Management Definitions

The following definitions are used within this framework as per the Standard.

Terminology	Explanation
<b>Risk</b>	The effect of uncertainty on objectives. It is measured in terms of a combination of the likelihood of an event and its consequence.
<b>Risk Appetite</b>	The level of risk that the organisation is prepared to accept, tolerate, or be exposed to at any point in time.
<b>Risk Assessment</b>	The overall process of risk analysis and risk evaluation.
<b>Risk Analysis</b>	A systematic use of available information to determine what events may occur, the likelihood of occurrence and the magnitude of their consequences.
<b>Likelihood</b>	The possibility of an event happening.
<b>Consequence</b>	The outcome of an event expressed in either financial terms or qualitatively, being a loss, injury, disadvantage or gain (impact).
<b>Inherent Risk</b>	The risk linked to an activity following assessment of likelihood and consequence, not considering any specific controls or actions.
<b>Control</b>	Controls or mitigating actions in place to prevent, detect, or minimise the impact of an identified risk.
<b>Residual Risk</b>	The risk level remaining after taking into account the current controls or mitigating actions in place.
<b>Risk Treatment/ Action Plan</b>	The additional controls/mitigation action required to ensure that the risk appetite level is achieved.

## Risk Appetite

It is not possible to eliminate all risk and continue to function as any type of organisation. The aim of risk management is to ensure that risk is maintained at an acceptable level. The term 'acceptable level' refers to an organisation's 'Risk Appetite'. Risk appetite is the level of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time.

Different organisations will have different risk appetites and sometimes different activities within an organisation will have different risk appetites. There is no standard risk appetite level that applies to all organisations and there is no right or wrong risk appetite. It is important for East Waste's Board and Management to determine the right level of risk appetite for East Waste and its activities. There are trade-offs in having higher or lower risk appetites. Too low a risk appetite might result in an organisation committing considerable resources into managing risk at the detriment to achieving the organisation's objectives. Too high a risk appetite might result in an organisation taking on so many risky activities with limited controls, resulting in consequences that may not be possible to actually cope with.

(Rittenberg, 2012) States that risk appetite has the following attributes:

- Is strategic and is related to the pursuit of organisational objectives
- Forms an integral part of corporate governance
- Guides the allocation of resources

- Guides an organisation's infrastructure, supporting its activities related to recognising, assessing, responding to, and monitoring risks in pursuit of organisational objectives
- Influences the organisation's attitude towards risk
- Requires effective monitoring of the risk itself and of the organisation's continuing risk appetite.

### Risk Appetite Statement

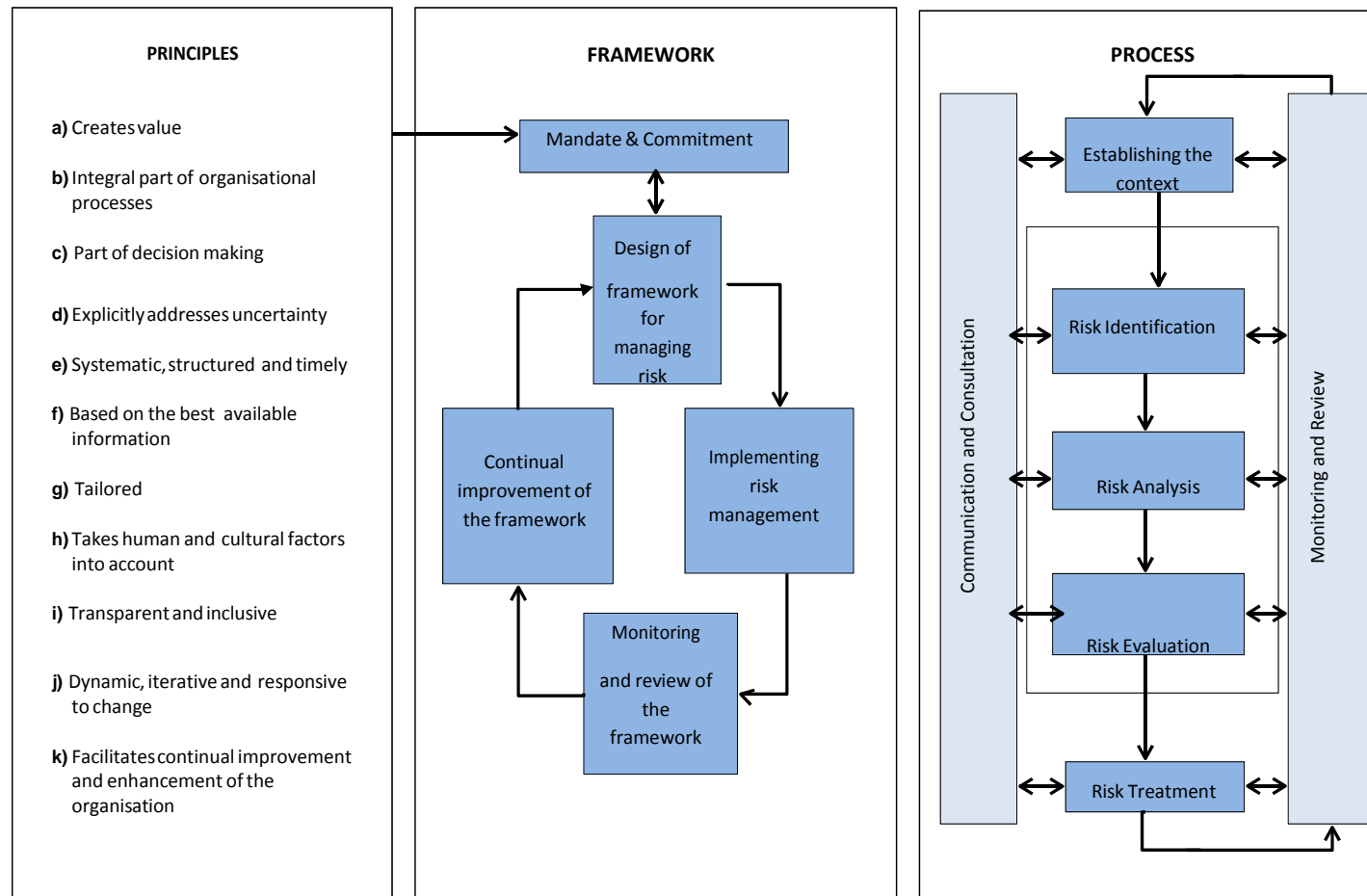
East Waste's lowest risk appetite relates to Work, Health and Safety with a more moderate risk appetite towards business objectives. East Waste's risk appetite is outlined in this framework in the 'Risk Analysis Consequence Table' and the Risk Matrices in the section on Risk Evaluation.

East Waste will review this Risk Management Framework and its 'Risk Appetite' annually and whenever there is a major change or influence in its operations.

<sup>1</sup>Effective February 2018, ISO Standard 31000:2009 has been superseded by ISO Standard 31000:2018, however the latest version is yet to be adopted in Australia (and may not). Therefore, ISO Standard 31000:2009 is still current and relevant to this Framework.

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**Risk Management Principles, Framework and Process** 'Risk Management – Principles and Guidelines AS/NZS ISO 31000:2009'



## Principles

For risk management to be effective, East Waste commits to comply with the principles set out in the Australian Standard for Risk Management (AS/NZS ISO 31000:2009) (the Standard). To do this East Waste is committed that risk management will:

- a) **Create value:** contribute to the achievement of objectives of East Waste such as; human health and safety, security, legal and regulatory compliance, public acceptance, environmental protection, service quality, project management, efficiency in operations, governance and reputation.
- b) **Be an integral part of organisational processes:** it is not a stand-alone activity nor is it the responsibility of only one person. Risk management is part of the responsibilities of management but also an integral part of all processes, including strategic planning, project management and operational processes.
- c) **Be part of decision making:** help decision makers make informed choices, prioritise actions and determine courses of action.
- d) **Explicitly addresses uncertainty:** take into account uncertainty, the nature of uncertainty and how it can be addressed.
- e) **Be systematic, structured and timely:** contribute to efficiency, be consistent, comparable and reliable.
- f) **Be based on the best available information:** based on data available such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement. However, East Waste decision makers should be aware of any limitations in the data or modelling used or the possibility of divergence in expert judgement.
- g) **Be tailored:** it will align to East Waste's external and internal context and risk profile.
- h) **Take human and cultural factors into account:** recognising the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of East Waste's objectives.
- i) **Be transparent and inclusive:** involve stakeholders and decision makers at all levels of East Waste. The risk management approach will be relevant and up-to-date. Stakeholders will be properly represented and have their views taken into account in determining risk criteria.
- j) **Be dynamic, iterative and responsive to change:** the risk management approach will be continually reviewed as external and internal events occur, context and knowledge change, monitoring and review of risks take place, new risks emerge, and others disappear.
- k) **Facilitate continual improvement of the organisation:** risk management will undergo continual improvement to be part of ongoing ~~improvement~~enhancement of East Waste.

## Framework

This framework provides information on how to identify, analyse, evaluate and treat risks, as well as other key activities necessary for an effective risk management approach. East Waste's Risk Management Framework aligns with the Standard.

There are five elements in a Risk Management Framework.

### **Mandate and Commitment**

Effective risk management requires a strong and sustained commitment by the Authority's leadership, i.e. the members of the board along with senior management. East Waste will:

- Have a defined and endorsed risk management ~~framework~~ policy.
- Ensure that East Waste's culture and risk management ~~framework~~ policy are aligned
- Determine risk management performance indicators that align with performance indicators of the organisation
- Align risk management objectives with the objectives and strategies of East Waste
- Ensure legal and regulatory compliance
- Assign accountabilities and responsibilities at appropriate levels within the organisation
- Ensure that the necessary resources are allocated to risk management
- Communicate the benefits of risk management to all stakeholders; and
- Ensure that the framework for managing risk continues to remain appropriate

### **Design of Framework for Managing Risk**

The Board and Management of East Waste understand that a risk management framework has to be part of the culture of an organisation. Risk management needs vary between different organisations and East Waste has developed this framework taking into account the following:

- The organisation of East Waste and its context
- Determining accountability
- Integrating risk management into organisational processes
- Including internal and external communication and reporting mechanisms.

### **Implementing Risk Management**

Implementing this Risk Management Framework requires that stakeholders have been consulted and undertake initial training on the components of the framework, particularly the risk management processes. Risk Management processes will be appropriately documented to ensure ongoing consistency in the assessment, understanding and treatment of risks.

### **Monitoring and Review of Framework**

To ensure that risk management is effective, East Waste will periodically review whether the risk management framework is still appropriate and updated to any changing circumstances or influences and how effective the risk management framework is.

### **Continual Improvement of the Framework**

East Waste has a commitment to ongoing improvement in the management of risk.

## Risk Management Process

### Communication and Consultation

East Waste is committed to communicating and consulting with stakeholders in regards to risk issues and processes. This will occur through reports, briefings, trainings, documented policies and procedures.

### Establishing the Context – Eastern Waste Management Authority

#### Who we are

East Waste is the trading name of the Eastern Waste Management Authority (The Authority) which is a regional subsidiary (pursuant to Section 43 of the Local Government Act 1999) of the following member Councils:

- Adelaide Hills Council
- City of Burnside
- Campbelltown City Council
- City of Norwood, Payneham & St Peters
- City of Mitcham
- City of Prospect
- Corporation of the Town of Walkerville

East Waste is administered by a Board in accordance with the requirements of the Local Government Act and the Authority's Charter. The membership of the Board comprises ~~eight~~seven directors – one director appointed by each of the Member Councils, and one independent person who acts as Chair. The Board appoints an Executive Officer who is responsible for implementing the decisions made by the Board and running the day-to-day operations of East Waste.

#### East Waste Governance Structure



## Operations

East Waste uses the following [key](#) resources to operate [and collect approximately 200,000 bins each week](#):

- [A](#) Fleet of ~~39~~ collection vehicles
- [Human Resources 52](#) (permanent [and casual](#) staff)
- Depot and Office
  - Buildings
  - Wash bay
  - Workshop
- [Suite of Software packages](#) ~~Approximately collect 220180,000 bins each week.~~

## Our Purpose:

The Charter identifies the following objectives:

- To predominantly operate or obtain services for the collection of Waste on behalf of Constituent Councils and/or other Client Councils.
- To provide waste management services including; waste collection, recycling of organic and inorganic materials and disposal of waste.
- To undertake the management of and collection of Waste (in accordance with regulatory approvals) and kerbside materials recovery, on behalf of Constituent Councils (and/or other Client Councils) in an environmentally responsible, effective, efficient, economic and competitive manner.

East Waste's draft 10 Year Business Plan includes the following Vision Statements:

At East Waste we are all about:

*"Providing a safe, high quality, low cost, waste and resource recovery collection service that responds to our community's needs, while using innovation and technology to drive efficiencies, reduce cost, and have a minimal impact on the receiving environment".*

At East Waste we are moving towards....

*"Providing flexible and responsive waste and resource recovery collection services that focus on safety, high order recycling, elevated service levels, less vehicle movements, and lower emissions."*

At East Waste we contribute to our Member Council communities by...

*"Providing a responsive and proactive waste and resource recovery collection service that enhances streetscape amenity and assists in promoting a healthy lifestyle".*

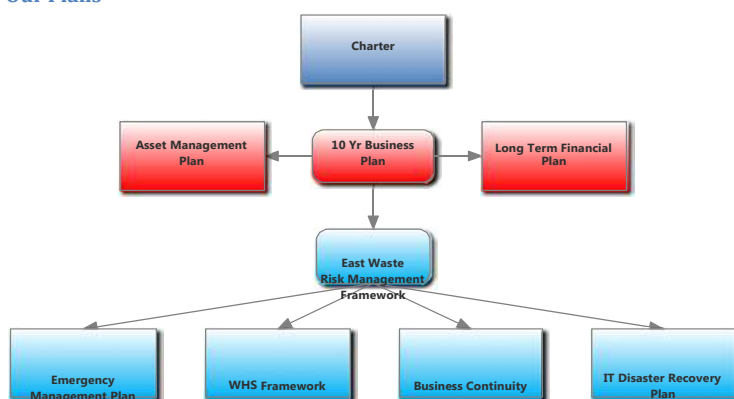
### Our Stakeholders

East Waste has the following key stakeholders:

- Member Councils
- The Board
- Audit and Risk Management Committee
- [HouseholdsCommunity/Residents](#)
- Staff
- Contractors
- Suppliers
- Local Government Risk Services (LGRS)
- [Green IndustriesZero-Waste SA](#)
- [Waste Management Association of Australia](#)
- [Environment Protection Authority](#)

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### Our Plans





## Risk Assessment

The stages of risk assessment are:

Risk Process	Description	
Risk Identification	Identify possible situations that could occur that would have an effect on achieving East Waste's objectives	
Risk Analysis	Consequence	What would be the consequence if the situation occurred
	Likelihood	How likely is it that this situation would occur
Risk Evaluation	What is the level of risk for East Waste of this situation	
Risk Treatment	What Action is required	
	What controls or mitigation strategies need to be put in place to reduce the level of risk of this situation	
Risk Analysis review	What is the consequence, likelihood and level of risk of this situation with the treatment in place?	

### **Risk—Identification—Addressing Key Risks**

#### ***Bushfire Risk***

East Waste delivers its services across a number of Councils. A particular risk that needs to be acknowledged is the risk of bushfire. Bushfire is considered a key risk as a number of East Waste's member Councils are in within the Mount Lofty Ranges fire ban district. A fire is almost certain to occur in this district every summer and therefore East Waste needs to acknowledge this risk and have control strategies in place.

A recent example was the 2015 Sampson Flat bushfires which occurred on a 'catastrophic' day and affected East Waste's residents within the Adelaide Hills Council. This fire was declared to be a 'major emergency' which resulted in access in and out of the area being controlled. There were over 30 roadblocks with many residents evacuated. The restricted access existed for a number of days. The services normally delivered to the residents of the area were obviously altered for a period of time and modification to services were required to address the event.

East Waste addresses the risk of bushfire and its threat to the safety of staff and access to affected residents through the 'Fire Danger, Adverse Weather and Ultra Violet Radiation Procedure' and the 'Fire Danger Day Action Plan'. Bushfire risk is addressed in the Operational Risk Register and Business Continuity Plan.

#### ***Commercial Risk***

Increasing demands and scrutiny for diligence, accountability and transparency, regular audits from external agencies (e.g. independent Auditor's, WH&S audits) and regulatory compliance places an onus on East Waste to provide evidence of a demonstrable risk management system that not only focuses on "core activities", as described in the Charter, but also "non-core" (commercial) activities.

It is therefore important for the Board and the Audit and Risk Committee to understand the commercial environment that East Waste operates within, along with the challenges that are inherent in such operations.

While East Waste essentially operates in a commercial environment, it is a Local Government Subsidiary that functions as a not-for-profit. Essentially the commercial risks revolve around outgoing and/or incoming Councils. East Waste can go a long way to controlling this commercial risk

through its 10 Year Business Plan, long term financial planning, and providing Member Councils value for money and high quality services. Commercial risk areas are identified below and also detailed within the Commercial Risk Register.

### Risk – Identification – Areas of Risk

A survey undertaken by the AON Corporation each year details significant risks that businesses in Australasia are most concerned with. (Aon, 2014). This information along with consultation with East Waste's staff, Board and the Audit and Risk Management Committee has resulted in identifying a number of areas of risk that need to be managed.

The following sections describe the areas of risk that relate to East Waste, the responsibility, reporting and review regime and the key drivers of those risks

#### Strategic Risk

Risks in this area relate to Board and Management decisions and the impact of those decisions on achieving East Waste's Strategic Objectives.

Risk Area	Strategic
Responsibility	Board <del>and Audit and Risk Management Committee</del>
Reporting Regime	<del>As required through to</del> each Board and Audit & Risk Management Committee
Review	Ongoing

Risks	Key Drivers
Failure to implement or communicate strategy	Inadequate strategic planning and communication throughout organisation.
Corporate Governance/Compliance	Board and Member Councils' liability, culture, business strategy, organisational structure, performance and resource review

Strategic risks are detailed in the Strategic Risk Register which will be reviewed periodically by the Audit and Risk Management Committee and the Board.

#### Commercial Risk

Commercial risks are often contained within strategic risks, however East Waste acknowledges the significance of commercial risks as those that could impact on East Waste's viability as a commercial operation.

Risk Area	Commercial
Responsibility	Board <del>and Audit and Risk Management Committee</del>
Reporting Regime	<del>As required through to</del> each Board and Audit & Risk Management Committee
Review	Ongoing

Risks	Key Drivers
Brand and Image	Ethics, compliance, service quality, social responsibility, community relations, collective workforce, customer crisis, social media
Regulation/legislative changes	Accounting, regulatory and compliance, reporting and tax, changes that affect the basis of service and structure
Increasing competition	Deregulation of local markets, decreasing statutory protection of local industry
Political risk/uncertainties	Political uncertainties and unease, political decisions
Market environment	Economic, demand/supply cyclicalities, earnings volatility and substitute markets, change in customer demand
Lack of innovation	Failure to change/adapt internally and to meet customer needs
Technological evolutions / innovation	Changes in technology/innovation that change the basis of service supplied

Change in Board's Membership	Member <u>Council</u> satisfaction with Board
Financial Sustainability	Ability to finance operations and activities into the future

Commercial risks are detailed in the Commercial Risk Register which will be reviewed by the Audit and Risk Management Committee and the Board.

#### *Work Health & Safety*

Risks in this area relate to the health and safety of the public, employees, contractors and volunteers of East Waste.

Risk Area	Work Health & Safety
Responsibility	Executive Officer is Responsible Officer under WHS legislation Board and Audit & Risk Management Committee overview
Reporting Regime	Internal to Executive Officer External to Local Government Workers Compensation Scheme Board and Audit & Risk Management Committee – as per 'Action Required' within this framework, KPI graph reports
Review	Ongoing by Executive Officer
Reviewed annually by Local Government Workers Compensation Scheme. Work, health and Safety is undertaken with the assistance and direction of the Local Government Workers Compensation Scheme	

WHS risks are detailed in the WHS Risk Register.

#### *Operational Risk*

Risks in this area relate to the day to day operations and administration of East Waste.

Risk Area	Operational
Responsibility	Executive Officer
Reporting Regime	To Executive Officer Board and Audit & Risk Management Committee – as per 'Action Required' within this framework
Review	Annual by Executive Officer

Risks	Key Drivers
Human resources	Failure to attract or retain top talent
Physical assets	Fire, Flood, Storm, security, breakdown/sabotage, theft, machinery or property failure/loss
Failure of disaster recovery plan/business continuity plan	Inadequate corporate planning and considerations regarding business interruption events
Capital available/ credit	Access to capital, borrowings, debt and equity mix, asset life cycles
Business interruption	Internal dependencies (property machinery failure or loss, critical machinery or plant failure and other internal dependencies)
Technology/system failure	Network, hardware, software, web based technology and other systems failure
Natural disasters	Climatic and natural hazards like bushfires, flood, drought, cyclone and earthquake, including the impact of climate changes to the financial and strategic position of your business
Liquidity	Cash collections, cash management, credit control and cash flow shortages
Lack of technology infrastructure to support business needs	Lack of planning and budget appropriation with respect to IT infrastructure
Distribution or supply chain failure	Natural disasters, political uncertainty, unforeseen events

Record Keeping	Lack or loss of compliance record keeping and operational data
Environment	Impact on the Environment from activities.

Operational Risks are detailed in the Operational Risk Register which will be reviewed by the Audit and Risk Management Committee.

#### ***Risk Registers***

Initial risks have been identified and recorded in the risk registers but the registers are to be kept relevant with any newly identified risks being included in the register, the risk assessed and evaluated and risk treatment planned and implemented.

The risk registers are kept as a separate operational document to this overarching Risk Management Framework.

## Risk Analysis

### Consequence

East Waste has identified the following key impact areas and determined the level of impact for the Authority.

Impact Area		Impact Scale				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
Reputation	Effect on public image	No adverse effect	Kept onsite, no media interest minor adverse effect	Local media coverage, moderate adverse effect	State media coverage, interest by member Councils, interest by regulators, major adverse effect	National media coverage, leads to changes at Executive or Board level, loss of key contracts
	Level of community concern	insignificant	No community interest	One or two community complaints	Significant	Community outrage
	Impact upon social health and wellbeing of the community	Negligible adverse impact	Minor adverse impact	Moderately reduced opportunities for participation in community life and/or decision making	Seriously affected by major community unrest	Hugely affected by major community unrest
	Impact on established community relationships and links	Little or no impact	Minor impact	Moderate incidences of increased isolation	Significant breakdown	Significant breakdown
Commercial	Effect on Constituent Council Membership	No change in membership	Possibility of change in membership raised	Change of membership by 1 (either gain or loss)	Change of membership by 2 or more (either gain or loss)	Termination of East Waste
	Effect on East Waste viability as entity	No effect	Minor impact able to be addressed by management	Effect that requires Board attention	Effect that requires Member Council attention.	Termination of East Waste

Impact Area		Impact Scale				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
Business Impact	Financial Loss	0.05% of budget	0.05 – 0.2% of budget	1.2 – 1% of budget	1 – 5% of budget	>5% of budget
	Delay in undertaking routine needs or tasks	Delay of up to ½ day	Delay of up to 1 day	Capability/ service impaired, moderate impact on stakeholders, delay of 1 – 3 days	Loss of capability, disruption to services, major impact on stakeholders and delay of 3-5 days	Loss of services and capability, failure to meet stakeholders' needs for more than 5 days. Project & program failure, inability to meet minimum standards, most objectives not met
	Legal issues			Minor legal issues, non-compliances and breaches of regulation	Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible	Major breaches of regulation, major litigation
Work Health & Safety (WHS)	Injuries	No injuries or no injury requiring treatment	First Aid treatment	Medical treatment (doctor or hospital) or lost time injury (more than one shift)	Single fatality or permanent injury	Multiple fatalities or permanent injuries. Potential for disastrous consequences
Public	Injuries	No injuries or no significant injuries	First aid treatment	Medical treatment required	Serious & extensive injuries	Fatalities
Safety	Effect on Property	Negligible loss or damage to property / infrastructure	Minor loss or infrastructure damage	Moderate loss/ or infrastructure damage	Serious structural damage to infrastructure or serious loss of assets	Critical loss, irreversible damage to property / infrastructure

Key to Financial Loss Measurement (note this will change with each budget)

% of budget	2014 Financial Year – Total Budget \$14 million
0.05%	\$7,000

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<del>0.05–0.2%</del>	<del>\$7,001–\$20,000</del>
<del>0.2–1%</del>	<del>\$20,001–\$140,000</del>
<del>1–5%</del>	<del>\$140,001–\$700,000</del>
<del>&gt;5%</del>	<del>\$700,001+</del>

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Impact Area		Impact Scale				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
Environment	SA Environment Protection Act  <b>Contamination</b>	<b>“Nuisance” category under the Act</b>  On-site release immediately	<b>“Nuisance” category under the Act</b>	<b>“Material” category under the Act</b>  On-site release contained without outside assistance	<b>“Serious” category under the Act</b>  Off-site release with no detrimental	<b>“Serious” category under the Act</b>  Toxic release off-site with detrimental effect, air permanent and widespread land contamination.
	<b>Effect on species/ ecosystems</b>	Slight, quick reversible damage to a few species	Some minor adverse effects to a few species/ ecosystem parts that are short term and immediately reversible	Temporary, reversible damage, loss of habitat and migration of animal population, plants unable to survive, pollution requires physical removal, land contamination localised and can be quickly remedied	Death of individual animals, large scale injury, loss of keystone species and widespread habitat destruction	Death of animals in large numbers, destruction of flora species, irreversible soil erosion or severe compaction, widespread introduction of weeds.

### Likelihood

East Waste has determined the following table to describe the likelihood of a situation occurring.

Rating	Likelihood of Occurrence – for projects – likelihood of occurrence during the Project period only	
Rare	A	May occur only in exceptional circumstances, less than 2% of instances where risk is present.
Unlikely	B	Not likely to eventuate. 2-25% change that the event will occur in situations where risk is present
Possible	C	Possible. 25-70% change that the risk will eventuate
Likely	D	Probably. Likely to occur in 70-90% of instances where risk occurs
Almost Certain	E	Is expected to occur in 90-100% of instances where the risk is present



## Risk Evaluation

### Risk Level

The risk evaluation matches the consequence of a situation against the likelihood of it occurring and determines the risk level from a matrix.

The Risk Management guidelines (Standards Australia, 2013) give examples of risk matrices dependent upon an organisation's risk attitude. There is no single risk matrix that must be used.

East Waste considered the impacts and risks of various parts of the organisation and determined that there were two areas where there was a different risk appetite.

The area of Work, Health and Safety (WHS) was considered an area that due to potential severe consequences on staff health and safety, required a lower tolerance to risk.

#### WHS Risk Matrix (low risk appetite – low tolerance to risk)

Likelihood	Consequences				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
E Almost Certain	Medium	High	Extreme	Extreme	Extreme
D Likely	Low	Medium	High	Extreme	Extreme
C Possible	Low	Medium	Medium	High	Extreme
B Unlikely	Low	Low	Medium	High	Extreme
A Rare	Low	Low	Medium	High	High

The remainder of East Waste's business was considered to require a more standard matrix.

#### Business Risk Matrix

Likelihood	Consequences				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
E Almost Certain	Medium	High	High	Extreme	Extreme
D Likely	Low	Medium	High	High	Extreme
C Possible	Low	Medium	Medium	High	High
B Unlikely	Low	Low	Medium	Medium	High
A Rare	Low	Low	Low	Medium	High

For example:

To assess a WHS situation:

- |  |             |                  |
|--|-------------|------------------|
| • There is a 90-100% chance of the situation occurring                               | Likelihood  | = Almost Certain |
| • If it occurred it would require hospital <del>admission</del> <del>treatment</del> | Consequence | = Moderate       |
| • Using the WHS Risk Matrix  | Risk Level  | = Extreme        |

To assess a business situation:

- |  |             |                  |
|--|-------------|------------------|
| • There is a 90-100% chance of the situation occurring | Likelihood  | = Almost Certain |
| • If it occurred it would have a \$30,000 impact       | Consequence | = Moderate       |
| • Using the Business Risk Matrix                       | Risk Level  | = High           |

#### *Action Required*

Risk evaluation highlights the most urgent risk areas as extreme with those with the least likely effect being low. Almost all risks could be addressed but all solutions require resources. There is an opportunity cost in addressing risks, if an extraordinary amount of resources is required to overcome a low risk, the allocation of resources may create a further risk of the organisation not having the resources to complete their objectives.

The risk evaluation allows East Waste to prioritise the most important risks to treat.

The following elements are taken into consideration when assessing controls and mitigating strategies associated with a particular risk:

- Legal requirements relevant to the risk
- Design of facilities
- Cost of alterations
- Communication of risk factors (i.e. Warning signs)
- Risk borne by parties other than East Waste
- Responsibilities and accountabilities
- Monitoring and review procedures.

Management and the Board will need to take different actions depending upon the risk level of a situation. East Waste has determined the following actions relating to the assessed risk level.

Level of Risk	Action		
	Acceptability	Urgency for implementation of treatment	Authority for continued toleration of risk at this level
<b>Extreme</b>	Not permitted unless approved by the Board. Reduce the level of risk to high or below	Immediate – stop until treated. Detailed risk treatment plan to be implemented and risk ownership to be assigned to Leadership Team (LT) member to monitor progress in consultation with WHS staff. Reported to Audit Committee, WHS Committee and Leadership Team (LT) For complex treatments, implement short-term controls with permanent treatments completed within 1 month Control effectiveness to be closely monitored at work area level on an ongoing basis.	Board
<b>High</b>	Only acceptable if it is not practicable or efficient to reduce the level of risk. Otherwise reduce the level of risk to medium or below	Attention required within 24 hours. Risk treatment to be implemented by risk owner in consultation with WHS staff. Relevant Manager to determine appropriate risk owner and report risk to Leadership Team (LT). Reported to Audit Committee and WHS Committee Controls in place as soon as possible, with permanent treatments complete within 3 months Control effectiveness to be closely monitored at work area level on an ongoing basis	Executive Officer
<b>Medium</b>	Acceptable for a limited period of time to allow treatment to be in keeping with the business or project plan priorities	Treat as soon as practicable but within 1 month. Risk treatment to be assigned if controls are not 'Effective'. Risk owner assigned at supervisor or Manager level Risk reviewed half yearly by risk owner and reported to relevant Manager Reported to WHS Committee (where WHS issue) Permanent treatments complete within 1 year	Managers
<b>Low</b>	Plan to treat in keeping with all other priorities	Attention required within 3 months. Managed by supervisor at work area level via standard operating procedures and reviewed on an annual basis and reported to relevant Manager. Reported to WHS Committee (where WHS issue)	Managers

## Risk Treatment

The Standard defines risk treatment as the process to modify risk. Treating risk can involve one or more of the following:

- Avoiding the risk – change the business process or objective so as to avoid the risk
- Pursuing the risk as an opportunity
- Removing the risk source
- Changing the likelihood
- Changing the consequences
- Sharing the risk with other parties – transfer the ownership and liability of the risk to a third party
- Retaining the risk – accept the impact of the risk.

Risk mitigation strategies can include:

- Financial delegations
- Detailed tender specifications, evaluations and selection of tenderers
- Detailed standards, tests and quality assurance
- Reporting, review and analysis; expert oversight and supervision of contractors
- Policy and procedure manuals and guidelines
- Training and development
- Safety for employee, contractors and the public using specific WHS tools
- Physical controls such as security systems and fire protection measures
- Contractual arrangements which include standard indemnities, insurances and the like
- Business Continuity Planning

When selecting the preferred treatment option, the following will occur:

- The cost of any actions will be incorporated into the budget planning process
- A responsible person will be identified for delivery of the action, with this expectation being communicated to them
- A realistic due date will be set
- Performance measures will be determined.

Risk treatment may introduce secondary risks that need to be assessed, treated, monitored and reviewed.

## Monitor and Review

Risk management is not static nor a 'one-off' procedure and is part of ongoing business. The risk management framework, identified risks and their management are subject to ongoing monitoring and review.

### Roles and Responsibilities

Who	Responsibility
The Board	Apply principles of Risk Management to decision making for the Authority
Audit & Risk Committee	Review the risk management framework, implementation, procedures for effective identification and management of East Waste's risks.
Executive Officer	Ensure that risk is managed across East Waste and that the Risk Management Framework is implemented
Managers	Ensure that risk is managed in their responsibility areas
Employees	Apply risk management practices in their area of work and ensure that management are aware of all types of risks associated with East Waste's operations
Service Providers	Apply risk management practices in their area of work and ensure that management are aware of all types of risks associated with East Waste's operations

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## East Waste Risk Registers

### Risk Register – Commercial

Responsibility: Board ~~and Audit & Risk Management Committee~~  
 Reporting Regime: Each Board and Audit & Risk Management Committee  
 Review: Ongoing

#### Risk Matrix

Likelihood	Consequences				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
E Almost Certain	Medium	High	High	Extreme	Extreme
D Likely	Low	Medium	High	High	Extreme
C Possible	Low	Medium	Medium	High	High
B Unlikely	Low	Low	Medium	Medium	High
A Rare	Low	Low	Low	Medium	High

What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk	Controls	Likelihood	Consequence	Residual Risk
Damage to brand and image	<ul style="list-style-type: none"> <li>Low ethical standards and culture</li> <li>Poor compliance regime</li> <li>Low service quality</li> <li>Low level of social responsibility</li> <li>Accident, public place fire, defected vehicles</li> </ul>	C	<ul style="list-style-type: none"> <li>Poor community relations</li> <li>National media coverage</li> <li>Environment impact</li> <li>Major litigation</li> <li>Serious damage to assets.</li> <li>Disruption to Services over 5 days</li> <li>Negative social media</li> <li>Customer dissatisfaction</li> </ul>	5	H	<ul style="list-style-type: none"> <li>East Waste brand is managed through professional online presence and through support of <del>M</del>ember Councils.</li> <li>Staff understand East Waste's direction and policies</li> <li>Compliance checking structure</li> <li>Customer complaints monitored, addressed and systems reviewed where required.</li> <li>Regular Customer satisfaction surveys conducted</li> <li>Safety and maintenance processes undertaken as required</li> <li>Risk management policies and procedures are in place and adhered to and complied with by Staff.</li> </ul>	B	5	H

What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk	Controls	Likelihood	Consequence	Residual Risk
Regulation / Legislative changes	<ul style="list-style-type: none"> <li>Accounting, regulatory and compliance changes.</li> <li>Changes to tax framework and reporting</li> <li>Changes that affect basis of service and structure of East Waste</li> </ul>	E	<ul style="list-style-type: none"> <li>Potential for change in core business of East Waste and need to adhere to costly regulatory requirements.</li> </ul>	5	E	<ul style="list-style-type: none"> <li>Management and relevant staff, Board and Audit &amp; Risk Committee to have required knowledge of legislation that directly relates to the business and operations.</li> <li>Internal and External Communication of key changes</li> <li>Membership of relevant professional organisations</li> <li>Association with LGA, <a href="#">WMAA</a> and other waste industry advocates</li> </ul>	D	4	H
Growing competition in Waste Collection	<ul style="list-style-type: none"> <li>Perception that Waste Industry is an easily entered market.</li> <li>Change in regulation or statutory requirements which increase suppliers.</li> <li>Other competitors don't have same regulatory requirements as a Local Government Authority</li> <li>Competitors that have reduced services and safety</li> </ul>	C	<ul style="list-style-type: none"> <li>Pressure on commercial prices.</li> <li>Loss of membership</li> </ul>	4	H	<ul style="list-style-type: none"> <li>Ensure that <del>M</del>member Councils understand the regulatory environment that East Waste functions within.</li> <li>Ensure that the reputation of East Waste is that of a high level of service and safety, and long term supply.</li> <li>Robust and clear communication with Member Councils</li> <li>Board and management understand risks to reputation</li> <li>Market testing and external benchmarking</li> </ul>	B	4	M



What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk	Controls	Likelihood	Consequence	Residual Risk
Political risk / uncertainty	<ul style="list-style-type: none"> <li>Politicians could sway public opinion regarding waste management, which could conflict with East Waste's Strategic and Operational practices</li> </ul>	C	<ul style="list-style-type: none"> <li>Local media coverage</li> <li>One or two community complaints.</li> <li>Member Council may change or diminish support of involvement and withdraw</li> </ul>	5	H	<ul style="list-style-type: none"> <li>Ensure service delivery meets or exceeds expectations</li> <li>Strong communication and engagement with Member Councils to ensure continued support</li> <li>Keeping abreast of public perceptions by undertaking surveys and being sensitive to customer complaints</li> </ul>	B	5	H
Market environment changes	<ul style="list-style-type: none"> <li>Economic changes</li> <li>Changes in customer demand</li> <li>Change in demographics and waste disposal education</li> <li>Culture and habits that result in less kerbside waste</li> <li>Substitute markets</li> </ul>	C	<ul style="list-style-type: none"> <li>Less collection required</li> <li>Reduction in associated services equipment and staff</li> <li>Potential for 1-5% budget imbalance if redundancies required to be paid to staff</li> </ul>	4	H	<ul style="list-style-type: none"> <li>Keeping abreast of market conditions.</li> <li>Strategic planning and understanding around market demand and consequences to organisation.</li> <li>Workforce planning</li> </ul>	C	2	M
Lack of innovation	<ul style="list-style-type: none"> <li>Failure to change / adapt to customer needs</li> <li>Lack of understanding of industry trends</li> </ul>	C	<ul style="list-style-type: none"> <li>East Waste becomes unable to manage external impacts or be prepared</li> <li>Could lead to disruption in services</li> <li>Could lead to unsustainable future</li> </ul>	5	H	<ul style="list-style-type: none"> <li>Keeping abreast of advancing technologies</li> <li>Resource commitment by Board and Management to understanding and updating knowledge of changing trends in industry.</li> <li>Ability and commitment by Board to changing operations to cope with technological changes.</li> </ul>	B	5	H

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What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk	Controls	Likelihood	Consequence	Residual Risk
Technological evolution / Innovation	<ul style="list-style-type: none"> <li>Dramatic technological change that dramatically changes the industry of waste collection</li> </ul>	C	<ul style="list-style-type: none"> <li>Equipment, trucks and processes could be obsolete.</li> <li>Potential for loss of key contracts or members</li> </ul>	5	H	<ul style="list-style-type: none"> <li>Keeping abreast of advancing technologies</li> <li>Resource commitment by Board and Management to understanding and updating knowledge of changing trends in industry.</li> <li>Ability and commitment by Board to changing operations to cope with technological changes.</li> </ul>	B	5	H
Financial Sustainability	<ul style="list-style-type: none"> <li>Inability to finance operations and activities into the future</li> </ul>	D	<ul style="list-style-type: none"> <li>Termination of East Waste</li> <li>&gt;5% change in budget</li> </ul>	5	E	<ul style="list-style-type: none"> <li>Long term financial plan aligned with Strategic direction</li> <li>Planning of asset replacement</li> <li>Robust financial reporting framework</li> </ul>	B	5	H

What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk	Controls	Likelihood	Consequence	Residual Risk
Change in Board's Membership	Member Council exits East Waste <ul style="list-style-type: none"> <li>• Change in Council direction</li> <li>• Dissatisfaction with East Waste Services and cost</li> <li>• East Waste ceases to provide member Councils value for money</li> <li>• Costs not controlled</li> <li>• Failure to benchmark costs and undertake regular market testing</li> <li>• Fee increases exceed LGPI/CPI</li> </ul>	C	<ul style="list-style-type: none"> <li>• Reduction in budget of greater than 5%</li> <li>• Change in Membership</li> </ul>	5	H	<ul style="list-style-type: none"> <li>• Adherence to service level agreements</li> <li>• Culture and direction of providing value for money</li> <li>• GPS charging is accurate</li> <li>• Strong and consistent communication and engagement with Member Councils</li> <li>• Robust policies and procedures which are reviewed regularly</li> <li>• Be leader in technology advances and legislation changes</li> <li>• Be a service delivery and advisor to members on waste matters.</li> <li>• Value add to service</li> <li>• Charter contains 2 year opt out clause</li> <li>• <del>GPS charging and reporting is accurate and understood</del></li> <li>• Budget forecasting is appropriate</li> <li>• Engagement of external accountants ensures that benchmarking and market testing occurs and is independent</li> </ul>	B	3	M
	East Waste successfully tenders for a Council contract (client Council) or a Council wishes to join East Waste as a Member	C	<ul style="list-style-type: none"> <li>• Effect on budget of more than 5%.</li> <li>• Could be an effect on services and delay in delivery possibly 1-3 days</li> <li>• Legal issues to change charter and service level agreements</li> </ul>	5	H	<ul style="list-style-type: none"> <li>• Board considers possibility and has systems and procedures, agreements and arrangements in place prior to occurrence to minimise disruptions to business and ensure that budget changes are considered and costed correctly.</li> <li>• Strong and consistent communication and engagement with all member Councils.</li> <li>• Board endorsement and support.</li> </ul>	C	3	M

## Report to Audit & Risk Committee and Board

Risk Area	Risk	Inherent Risk	Residual Risk	Actions	Comments / Actions / Status
Commercial	Damage to brand and image	H	H	<ul style="list-style-type: none"> <li>Report by EO on Staff training outcomes in regard to East Waste's direction and policies</li> <li>Results of audits on compliance including internal controls reported</li> <li>Board reviews website annually</li> <li>Board members report back to member Councils on Board activities</li> <li>Customer complaints are aggregated and reported to board by subject and actions.</li> <li>Board receives results of customer service satisfaction surveys</li> <li>Any extreme risk areas in WHS are reported to Board</li> <li>Board annually reviews risk management policies.</li> </ul>	
	Regulation / Legislative changes	E	H	<ul style="list-style-type: none"> <li>Updates on legislation changes to board each meeting</li> <li>EO reports to board on professional and industry memberships annually</li> </ul>	
	Growing competition in Waste Collection	H	M	<ul style="list-style-type: none"> <li>Board are inducted in regulatory environment</li> <li>Board members report back to member Councils on Board activities</li> <li>Regular updates to Member Councils from East Waste</li> <li>Board receives results of market testing and external benchmarking</li> </ul>	
	Political risk/ Uncertainty	H	H	<ul style="list-style-type: none"> <li>Customer complaints are aggregated and reported to board by subject and actions</li> <li>Board receives results of customer service satisfaction surveys</li> <li>Board members attend majority of meetings or send proxies</li> <li>Board members report back to member Councils on Board activities</li> <li>East Waste provides regular updates to Member Councils</li> </ul>	
	Market Environment changes	H	M	<ul style="list-style-type: none"> <li>EO reports to board annually on market environment, or more often if required.</li> <li>Ensure strategic plan covers market demand</li> <li>Board receives annual aggregated leave liability report</li> <li>Board understands retrenchment conditions within East Waste's EB</li> </ul>	

Risk Area	Risk	Inherent Risk	Residual Risk	Actions	Comments / Actions / Status
Commercial	Lack of innovation	H	H	<ul style="list-style-type: none"> <li>• EO report to include any advancing technologies that could affect Board</li> <li>• EO reports to board on professional and industry memberships annually</li> <li>• EO attends industry seminars and conferences and reports key issues to Board</li> <li>• Board considers technology advances when considering budgets</li> <li>• Board considers technology advances when considering strategic plan</li> </ul>	
	Technological evolution / innovation	H	H		
	Financial Sustainability	E	H	<ul style="list-style-type: none"> <li>• Long Term Financial Plan reviewed annually and aligned with Strategic plan</li> <li>• Asset replacement is included in Long Term Financial Plan</li> <li>• Regular financial reporting to Board under agreed reporting framework.</li> </ul>	
	Change in Board's Membership	H	M	<ul style="list-style-type: none"> <li>• Board approves service level agreements</li> <li>• Board members report back to member councils on Board activities</li> <li>• East Waste provides regular updates to Member councils.</li> <li>• Policies are reviewed annually</li> <li>• EO attends industry seminars and conferences and reports key issues to board</li> <li>• EO reports to board annually on professional and industry membership</li> <li>• Ensure that Charter continues to include a 2 year opt out clause</li> <li>• Budget and financial reporting to board under agreed financial reporting framework</li> <li>• Board develop systems and procedures for introduction of new member into Board.</li> <li>• Board develop systems and procedures to undertake new contract.</li> </ul>	

## Risk Register – Strategic

Responsibility: Board ~~and Audit & Risk Management Committee~~  
 Reporting Regime: Each Board and Audit & Risk Management Committee  
 Review: Ongoing

### Risk Matrix

Likelihood	Consequences				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
E Almost Certain	Medium	High	High	Extreme	Extreme
D Likely	Low	Medium	High	High	Extreme
C Possible	Low	Medium	Medium	High	High
B Unlikely	Low	Low	Medium	Medium	High
A Rare	Low	Low	Low	Medium	High

What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk	Controls	Likelihood	Consequence	Residual Risk
Failure to Implement or communicate strategy	<ul style="list-style-type: none"> <li>Inadequate strategic planning</li> <li>Inadequate communication strategy</li> </ul>	C	<ul style="list-style-type: none"> <li>Unsustainable long term financial position could have a negative affect greater than 5% of budget</li> <li>Dissatisfaction by member councils could result in Executive change, member change</li> </ul>	5	H	<ul style="list-style-type: none"> <li>Induction/ briefings/ training to ensure that Management and Board <del>to</del> have strong understanding and knowledge of Local Government Act 1999, Local Government Financial Regulations and East Waste Charter.</li> <li>Strategic Plan 10 year plan in place and reviewed as <del>stipulated annually</del></li> <li>Policies are communicated to management and staff, <u>and staff have received training on the relevant policy</u></li> <li>Strong working relationship between East Waste Management and Board/Committees</li> <li>System of reporting to member councils</li> </ul>	B	5	H

What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk	Controls	Likelihood	Consequence	Residual Risk
Corporate Governance / Compliance failure	<ul style="list-style-type: none"> <li>Poor culture</li> <li>Lack of business strategy</li> <li>Organisational structure doesn't match business strategy</li> <li>Lack of performance review</li> <li>Lack of resourcing review</li> <li>Lack of risk reporting</li> <li>Lack of governance framework</li> </ul>	C	<ul style="list-style-type: none"> <li>Board and Member Council's liability adversely affected</li> <li>Board decisions made without full understanding of issues.</li> <li>Possible local media coverage, community complaint.</li> <li>Possible financially unsustainable decisions to greater than 5% of budget</li> </ul>	5	H	<ul style="list-style-type: none"> <li>Reporting structure, risk reporting and action framework adopted by Board</li> <li>Board monitors risk management framework and reporting structure</li> <li>Restriction of \$ amount of variance to budget without <del>M</del>member Council consent.</li> <li>Management and Board have full working understanding of Charter requirements</li> <li>Robust recruitment process to ensure management have required experience</li> <li>Annual Report</li> <li>Delegations documented</li> <li>Annual Executive Officer Performance reviews</li> <li>Whistle-blower policy</li> </ul>	B	3	M

## Report to Audit & Risk Committee and Board

Risk Area	Risk	Inherent Risk	Residual Risk	Actions	Comments / Actions / Status
Strategic	Failure to Implement or communicate strategy	H	H	<ul style="list-style-type: none"> <li>All Audit &amp; Risk Committee &amp; Board have undertaken induction on: <ul style="list-style-type: none"> <li>Local Government Act</li> <li>Local Government Financial Regulations</li> <li>East Waste Charter</li> <li>Risk Management Framework</li> </ul> </li> <li>Updates on Charter or Regulations have been reported to Committee</li> <li>Training Requirements of the Committee/Board has been determined</li> <li>Training competencies and training plan are in place</li> <li>Strategic plan in place and reviewed annually</li> <li>Policies have been communicated to staff</li> <li>Board, Audit and Risk Committee and Management have a system for discussion and reporting</li> <li>System of reporting to <u>M</u>ember Councils</li> </ul>	
	Corporate Governance / Compliance failure	H	M	<ul style="list-style-type: none"> <li>Risk framework has been adopted by Board</li> <li>Risk framework is reviewed by Board annually</li> <li>Strategic and Commercial Risks are monitored by Board</li> <li>All extreme risks have been reported to Board</li> <li>Board and Management understand the restriction of \$ amount of variance to budget without member Council consent. (as required in Charter)</li> <li>Board and Management regularly review requirements of charter to ensure full understanding particularly on \$ limits.</li> <li>Key attributes of Executive Officer and Management have been identified and are used in recruitment and review process.</li> <li>Annual Report from Audit &amp; Risk Committee has been provided to the Board</li> <li>East Waste Annual Report has been provided to <u>M</u>ember Councils</li> <li>Delegations have been documented and are reviewed annually by Board.</li> <li>Executive Officer performance is reviewed annually by Board with clear KPIs set</li> </ul>	



				<ul style="list-style-type: none"><li>• Whistle-blower policy is adopted and reviewed by Board.</li></ul>	
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## Risk Register – Business / Operations

Likelihood	Consequences				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
E Almost Certain	Medium	High	High	Extreme	Extreme
D Likely	Low	Medium	High	High	Extreme
C Possible	Low	Medium	Medium	High	High
B Unlikely	Low	Low	Medium	Medium	High
A Rare	Low	Low	Low	Medium	High

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What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk level	Controls	Likelihood	Consequence	Residual risk level
<b>Human Resources</b>									
Failure to attract or retain top talent	Uncompetitive wages and conditions. Poor employment reputation, employee dissatisfaction	D	Tasks and roles not being completed correctly leading to potential for fraud and error. Could lead to disruption or financial loss	5	E	Clear Enterprise Bargaining agreements that are commensurate with industry. Organisational structure that supports succession planning, career and professional development. Good communication between staff and management	B	2	L
Knowledge transfer does not occur	Retirement or resignation of staff without appropriate succession planning	E		5	E	Internal controls adherence. Policies and procedures in place. Organisational structure in place that supports succession planning, career and professional development. Documented procedures.	B	2	L
Major loss in staff	<del>Pandemic illness, workers attending work when ill.</del> Industrial Action	C	Disruption to services and tasks of more than 5 days.	5	H	<del>Flu injections.</del> Documented procedures BCP in place. Casual agencies – agreements in place	A	2	L
<b>Work Health and Safety (WHS)</b> – risks and treatments are included in the separate WHS system.									

What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk level	Controls	Likelihood	Consequence	Residual risk
<b>Site &amp; Equipment, Physical assets</b>									
Land lease is terminated	Land owner decides to sell land	C	Loss of site resulting in disruption to services and tasks of more than 5 days and unplanned impact on budget up to 1%.	5	E	Robust leasing agreement in place. Sound working relationship with landlord supported by strong communication and engagement. A BCP that covers unplanned loss of site.	B	3	M
Natural or man-made disaster, or temporary building use restricted, removes capacity to operate from administration building	Major – fire/flood/storm Fuel leak, toilets or air conditioner break down	D	Loss of Administration – either access to building and equipment or more major event could destroy building or equipment.	5	E	Approved BCP in place supported by policies, procedures and delegations. Contingency arrangements in place with Member Councils and external contractors. Consideration to both major and minor interruptions to building and equipment use.	C	3	M
Damage to property (East Waste property and external property)	Driver inattention, lack of training, failure in safety protocols. Accident, fire etc. External unauthorised entry to site	D	Loss or damage in equipment such as trucks, office equipment etc. Public safety – fatalities Potential for litigation Financial impact greater than 5% Disruption to tasks	5	E	Appropriate level of insurance Site, office and equipment security Driver training Truck mechanical maintenance complete. BCP for business continuation	D	2	M
Business interruption	Failure of equipment/trucks	D	Disruption to services for more than 5 days	5	E	Planned maintenance and replacement schedules for key equipment. Prompt maintenance and repair of equipment issues Arrangements in place for short term access to key equipment <u>as per BCP</u>	C	2	M

What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk level	Controls	Likelihood	Consequence	
Failure of disaster recovery plan/ business continuity plan	Inadequate corporate planning and considerations regarding business interruption <del>on</del> g events	D	Disruption to services of more than 5 days Potential unplanned impact on budget up to 1%	5	E	<u>Established BCP in place, that is reviewed regularly and tested</u> <del>BCP to be developed in consultation with staff, Audit and Risk Committee and Board. Ensure that actions from initial BCP are</del>	B	5	H
Inadequate working capital / Liquidity	Cash flow and budget forecasting are inadequate	E	Disruption to services of more than 5 days	5	E	Monthly review of budget forecasting and cash flow forecasting. Ongoing bank reconciliations at least monthly. Arrangements in place for short term cash drawdown ( <u>refer Treasury Management Policy</u> )-	B	2	L
Distribution or supply chain failure	Natural disasters, unforeseen events.	A	Disruption to services of more than 5 days. Potential unplanned impact on budget of up to 1%	5	E	Robust policies and procedures in regard to bushfire potential. Arrangements in place in EW and with Member councils for changes in activity due to natural disasters. BCP in place Knowledge of potential alternative suppliers	C	3	M
Failure of Record Keeping	Lack or loss of compliance record keeping and operational data.	A	Serious breach of regulation especially in regards to WHS records.	5	E	Records, policy and procedures. Staff trained in procedures. Records kept in appropriately secured location offsite <u>and where relevant within cloud based database (SkyTrust)</u> .-	B	5	H

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What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk level	Controls	Likelihood	Consequence	Residual risk
<b>IT &amp; Communication Technology</b>									
IT systems could go down	<del>East Waste currently relies on a broadband connection through the Telstra connection from the property next door not being extended to the East Waste Depot. No internet or communication access</del>	D	Delay in routine tasks = more than 5 days	5	E	<ul style="list-style-type: none"> <li><del>Review Internet Connection arrangements to ensure direct and ongoing supply of internet</del> <u>Wireless internet connection established</u></li> <li><u>Contract in place with IT provider, with data hosted in "the Cloud"</u></li> <li><del>Identify alternative short term temporary internet arrangements</del> <u>BCP Contingency arrangements in place as per BCP</u></li> </ul>	C	3	M
IT system could be subject to attack/ hacking/corruption	Poor firewall defence, opportunistic attack	D	Delay in routine tasks = more than 5 days	5	E	<ul style="list-style-type: none"> <li><del>Robust IT security arrangements to be in place</del> <u>Robust firewalls and anti-virus protection in place through IT contract arrangements. On-going monitoring occurs</u></li> <li><del>Virus protection</del></li> <li><del>BCP arrangements to be developed</del></li> </ul>	C	3	M
Technology failure	GPS tracking technology on trucks could be corrupted or fail	C	Disruption in data capture and reduced efficiency in service Some customer complaint	3	M	<ul style="list-style-type: none"> <li>Driver awareness</li> <li>Web based platform-offsite</li> </ul>	B	2	L
Lack of technology infrastructure to support business needs	Lack of planning and budget appropriation with respect to IT infrastructure	D	Disruption to services for more than 5 days	5	E	<ul style="list-style-type: none"> <li>Assessment of technology needs and appropriate budget allocation for purchase, maintenance and replacement</li> </ul>	C	2	M

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What could happen	How it could happen	Likelihood	Consequence Details	Consequence Inherent Risk	Controls	Likelihood	Consequence Residual risk
<b>Fraud &amp; Corruption</b>	Separation of duties not sufficient in purchasing. Financial delegations not abided by	D	Effect on public image, state media coverage, interest by member councils Financial loss could be greater than 5% of budget Disruption in routine tasks Legal prosecution with East Waste as victim.	5 E	Internal policies, procedures and delegations established and adhered to by staff. Regular review and external auditing. Probity and evaluation plans established where appropriate.	B	2 L
<b>Customers</b>							
Major disruption to a Member Council	Natural disaster, bushfire, poor management, political influence	E	Bushfire in Hills will happen Services could be disrupted for 3-5 days. Possibility of enhanced reputation with prompt assistance.	4 E	Policies <del>and</del> and procedures <del>ss</del> in place with Member Councils to plan for such contingencies. Strong communication and engagement with Member Councils. <u>Contracts in place between East Waste and contractors</u>	D	4 H
Poor delivery, or inconsistency of customer service	Lack of systems and processes, staff not adequately trained, complacency of staff	D	Delay in delivery of service 1-3 days. Local media coverage. Interest by member councils. Community complaint	4 H	Strong and relevant customer service policies and procedures in place. Appropriate staffing levels. Consistent and strong internal communication. Staff are trained and regularly supported to undertake their roles.	B	3 M
Managing customer expectations	Unrealistic or ill-informed customers (stakeholders) lead to poor reputation	D	Local media coverage Customer complaint Interest by member councils	4 H	Strong and consistent provision of quality customer service. The East Waste brand, messaging and online presence is clear, professional and consistent and regularly reviewed to meet expectations. Member Council support. Customer satisfaction surveys. Publication of <u>"public facing"</u> business plan	C	2 M

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What could happen	How it could happen	Likelihood	Consequence Details	Consequence	Inherent Risk level	Controls	Likelihood	Consequence	Residual risk
<b>Environment</b> – impact of East Waste Activities	Spill of contaminated rubbish. Fuel leak/spill. Fuel storage fire	D	<del>Air quality requiring evacuation</del> <u>Evacuation of staff or members of the public</u>	5	E	Knowledge and appreciation of EPA and relevant legislation. Appreciation and adherence to Member Council expectations. Establishment and adherence to environmental KPIs. Maintenance of fleet and operational equipment. Communication and training of staff. <del>Engagement of an education and promotion officer</del>	C	2	M



<b>Policy:</b>	Risk Management Policy
<b>Responsibility for Review:</b>	General Manager
<b>Relevant Legislation:</b>	<i>Local Government Act 1999</i>
<b>Relevant Documents:</b>	East Waste Risk Management Framework Australian/New Zealand ISO Standard on Risk Management – AS/NZS 31000-2009
<b>Policy Superseded by this Policy on its Adoption:</b>	N/A
<b>Adoption Authority:</b>	East Waste Board
<b>Date of Adoption:</b>	
<b>Minute Reference for Adoption:</b>	
<b>Next Review:</b>	No later than November 2020

## 1. INTRODUCTION

East Waste will adopt a structured and systematic approach to Risk Management with the aim of improving its decision-making practices and performance, and thereby minimising risk.

## 2. INTERPRETATION

2.1 For the purpose of this Policy:

2.1.1 “Risk” – the effect of uncertainty on objectives. It is measured in terms of a combination of the likelihood of an event and its consequence.

2.1.2 “Risk Management” – the culture, processes and structures directed towards enhancing business outcomes, whilst managing adverse effects.

## 3. POLICY

3.1 East Waste is committed to applying risk management principles across all of its operations and functions, inclusive of Business Continuity arrangements.

3.2 Risk Management involves adopting systematic procedures and practices to identify, evaluate, treat and monitor risk in all East Waste activities so that the risks associated with these activities are controlled and opportunities maximised.

3.3 East Waste will integrate risk management practices into its dealings with stakeholders, its corporate culture and everyday business operations at the strategic and operational levels.

3.4 East Waste will maintain a Risk Management Framework consistent with the guidelines and principles of risk management as set out in the Australian/New Zealand ISO Standard on Risk Management – AS/NZS 31000:2009.



#### 4. SCOPE

- 4.1 This policy encompasses every member of the business, including East Waste Board Members, Audit and Risk Management Committee Members, General Manager, Executive Leadership Team and all East Waste employees.

#### 5. RESPONSIBILITY

- 5.1 East Waste Board is responsible for setting the organisation's risk appetite and oversight of the organisation's systems for managing risk.
- 5.2 Consistent with the Policy review date, East Waste's Audit and Risk Management Committee will review and provide input into East Waste's Risk Management Framework, to ensure effective identification and management of East Waste's risks.
- 5.3 East Waste's Audit and Risk Management Committee will review East Waste's Risk Registers every 12 months.
- ~~5.43~~ General Manager is responsible for ensuring that a risk management process is established, implemented and maintained in accordance with this Risk Management Policy and East Waste's Risk Management Framework.
- ~~5.54~~ Executive Leadership Team are accountable for the implementation, maintenance and evaluation of risk management with their areas of responsibility in accordance with the Risk Management Framework.
- ~~5.65~~ Employees are responsible for identifying potential risks, and where appropriate, reporting the identified risk, to ensure they effectively manage risk as part of their employment with East Waste.

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**7.5: Annual Plan Progress Report**

**REPORT AUTHOR: General Manager**

**ATTACHMENTS: A: Year to Date Annual Plan Matrix**

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**Purpose of the Report**

To provide the Board with an update on the implementation of the activities endorsed in the 2017/2018 Annual Plan.

**Background**

Nil

**Report**

The attached matrix provides a snapshot update as to the progress of the Annual Plan implementation.

This is a standing item on the Board Agenda.

**Recommendation**

**That the report be received and noted.**

## Attachment A – Year to Date Annual Plan Matrix

### Annual Plan 2017 - 2018

Activities	Annual Plan Reference	Commenced	Completed	Comments (as at 17/04/18)
Consultative Committee	3.1.1	x	x	Committee established & first four meetings held.
Risk Management Software (Skytrust)	3.1.2	x	x	Installed & reporting underway. Continually seeking refinement with LGRS
Payroll Software Integration	3.1.3	x		Full integration delayed due to Key personnel resignation. Full integration to occur by end of Financial Year
Business Continuity ITC	3.1.4	x	x	Transfer to cloud based storage completed
Service Level Agreements (SLAs)	3.1.5			Action carried forward to 2018/19 Annual Plan
Detailed Investigation into Gas Fleet	3.2.1	x		Preliminary Reviewed. Action carried forward to 2018/19 Annual Plan
Purchase of 4 Robotic Arm Collection Vehicles (RAC)	3.2.2	x	x	Completed
Receipt of Recyclables Contract (Auditing)	3.2.3	x	x	Audits not required in 17/18 Financial Year
Hard Waste Services	3.2.4	x	x	All Member Council's now utilising EW for Hard Waste Collection.
Multi-Unit Dwellings/Council Vehicles	3.2.5	x		Preliminary work undertaken.
Generator (back-up power supply)	3.2.6	x		Action carried forward to 2018/19 Annual Plan
Bin Sensor Technology (public place bins)	3.2.7	x	x	Installations across four (4) Council's
Litter Collection Services	3.2.8	x	x	City of Campbelltown commenced.
Weekly Organics Collection Analysis	3.2.9	x		Independent analysis received and currently being reviewed.
WHS Committee Meetings	3.3.2	x	x	Meeting schedule being adhered to. Ongoing.
Independent Fleet Audit	3.3.3	x	x	Audit completed and required works completed or scheduled.
Certificate IV in Training and Assessment	3.3.4	x	x	Training underway
Why Waste It? Phase 2 Rollout	3.4.1	x	x	Phase 2 rollout commenced. My Local Services App actively progressed.
Operations Assistance Committee	3.4.2	x	x	Ongoing. Quarterly meetings being held.
Staff Satisfaction Survey (Full)	3.4.3	x	x	Pulse survey only due. Anticipated commencement in Fourth Quarter
Customer Satisfaction Survey (Full)	3.4.4	x	x	Pulse survey only due. Anticipated commencement in Fourth Quarter
10 Year Business Plan Consultation	3.4.5			Action carried forward to 2018/19 Annual Plan

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**7.6: MINUTES OF OPERATIONS ASSISTANCE COMMITTEE**

**REPORT AUTHOR:** Manager, Corporate Services

**ATTACHMENTS:** A: Minutes of Operations Assistance Committee meeting held 5 April 2018

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**Purpose of the Report**

To provide the East Waste Board (the Board) with a report on the meeting of the East Waste Operations Assistance Committee held 5 April 2018.

**Report**

East Waste convened a meeting of the Operations Assistance Committee, held at City of Burnside on 5 April 2018.

The agenda and minutes (Attachment A) detail the topical content discussed at the meeting, inclusive of presentations to Committee Members on the China Sword and East Waste's Draft Annual Plan 2018/19. Sanitised versions of the China Sword and Annual Plan presentations were disseminated to Committee Members post meeting, together with the attached minutes.

**RECOMMENDATION**

**That the Board receive and note the Report.**



**EASTERN WASTE MANAGEMENT  
AUTHORITY**

**AGENDA**

**MEETING OF THE OPERATIONS ASSISTANCE COMMITTEE**

**Meeting to be held on Thursday 5 April 2018 at City of Burnside Civic Centre, 401  
Greenhill Road, Tusmore – 11.00am**

- 1. PRESENT**
- 2. APOLOGIES**
- 3. CONFIRMATION OF THE MINUTES**
- 4. MATTERS ARISING FROM THE MINUTES**
- 5. QUESTIONS WITHOUT NOTICE**
- 6. REPORTS**
  - 6.1 China Sword Presentation (RG)
  - 6.2 DRAFT East Waste Annual Plan Presentation (including brief budget overview) (RG)
  - 6.3 Education and Promotion Update (MB)
  - 6.4 Litter Bin Runs (BK)
  - 6.5 Illegal Dumping Processes (BK)
  - 6.6 New East Waste Bin Van (BK)
  - 6.7 East Waste Process – Service Exception Requests (BK)
  - 6.8 GPS System Update – What’s required from Member Councils (SR)
- 7. OTHER BUSINESS**
- 8. NEXT MEETING**

The next Operations Assistance Committee Meeting date and location to be advised
- 9. CLOSURE OF MEETING**

Minutes of the Operations Assistance Committee Meeting held Thursday 5 April 2018 – 10.00am at  
City of Burnside, 401 Greenhill Road, Tusmore

- 1. PRESENT**

Mr R Gregory	General Manager East Waste
Mr J McArthur	Adelaide Hills Council
Ms A Fuller	Adelaide Hills Council
Mr A Harvey	City of Burnside
Mr B Seamark	City of Burnside
Mr A Wiguna	Campbelltown City Council
Ms R Hamilton	Campbelltown City Council
Mr D Deer	City of Mitcham
Ms T Mandigora	City of Mitcham
Ms M Siebert	City of Norwood, Payneham & St Peters
Mr C McDermott	City of Norwood, Payneham & St Peters
Ms P Andritsakis	City of Prospect
Ms M Bekesi	East Waste
Mr S Raymond	East Waste
Mr B Krombholz	East Waste
Ms K Vandermoer	East Waste
- 2. APOLOGIES**

Mr J Bowen	Town of Walkerville
Mr A Bogdanowicz	City of Prospect
- 3. CONFIRMATION OF MINUTES** N/A
- 4. MATTERS ARISING FROM MINUTES** N/A
- 5. QUESTIONS WITHOUT NOTICE – Nil**
- 6. REPORT'S**
  - 6.4 Litter Bin Runs – item brought forward in the Agenda*
    - Mr Krombholz provided an update to the Committee regarding the completion of Litter Bin Runs for all relevant Councils. Mr Krombholz has mapped all routes, which include all litter bins to be serviced. These runs have been sent to relevant Council personnel for feedback or comment, to ensure all bin locations are captured. Any feedback is welcome.
  - 6.5 Illegal Dumping Processes - -item brought forward in the Agenda*
    - Mr Krombholz provided the Committee with an example of the Illegal Dumping sticker utilised by City of Prospect, which is used to identify illegal dumping. The rationale being to provide some assistance to Councils in trying to minimise Illegal Dumpings, and thus reduce the cost impost for Councils.

#### *6.6 New East Waste Bin Van*

- Mr Krombholz provided an update on East Waste's acquisition of a new bin van, which will be utilised to service bin repair and bin delivery requirements.

#### *6.7 East Waste Process – Service Exception Requests*

- Mr Krombholz provided information to the Committee regarding East Waste's approach to assessing service exception requests received via Member Councils. Discussion ensued as to what constitutes a service exception, how this is assessed, how the service is managed on an on-going basis and what registers are maintained to ensure the identified residents are receiving the appropriate service.
- Question and discussion from the Committee were received in relation to how often the registers are updated to ensure the service is still required, and further, whether consideration had been given to what service delivery may look like in the future, particularly with an aging population.

#### *6.1 China Sword Presentation*

- Mr Gregory provided a comprehensive presentation and update to the Committee in relation to the China Sword and the impacts for Australia, South Australia, Member Councils and residents.
- Extensive discussion ensued regarding the impact to Member Councils and residents, and the need to provide consistent messaging and information to the community regarding the importance of continuing to recycle household waste items that are suitable for recycling.
- Mr Gregory advised that, as appropriate, regular updates will be provided to the Committee. (presentation attached)

#### *6.2 Draft East Waste Annual Plan Presentation (including budget overview)*

- Mr Gregory provided a presentation and update to the Committee in relation to East Waste's Annual Plan and Budget. (presentation attached)

#### *6.3 Education and Promotion Update*

- Ms Bekesi provided a presentation and update to the Committee in relation to East Waste's *Why Waste it?* education campaign. (presentation attached)

#### *6.8 GPS System Update – What's required from Member Councils?*

- Due to time constraints, this agenda item was not discussed. Mr Raymond advised that he will contact the relevant Member Councils directly in relation to the information that is sought.

### **7. OTHER BUSINESS**

- Mr McDermott requested whether East Waste could provide NPSP with Illegal Dumping data. Mr Krombholz indicated that he could provide the required information.

**8. NEXT MEETING**

The next meeting of the Operations Assistance Committee Meeting to be advised.

**9. CLOSURE OF MEETING**

Meeting closed at 12.08pm.



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**7.7: KESAB Environmental Solutions Board Nomination**

**REPORT AUTHOR:** General Manager  
**ATTACHMENTS:** Nil

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**Purpose of the Report**

To seek the Board's approval for General Manager, Rob Gregory to accept an invitation from KESAB Environmental Solutions to fill a casual vacancy on the Board.

**Background**

Nil

**Report**

Following discussions with John Phillips OAM, Executive Director, KESAB Environmental Solutions (KESAB), I submitted an Expression of Interest (Eoi) to fill the casual vacancy (Local Government) on the KESAB Board. The KESAB Board considered the Eoi favourably and have formally invited me to commence the voluntary Board role in May 2018.

As part of the Eoi I advised if successful, it would be subject to East Waste Board endorsement. I now seek your endorsement as part of my personal and professional development.

KESAB currently contract to East Waste to deliver waste education activities, principally through school education, and this is proposed to continue next year through the draft 2018/19 Annual Plan. My appointment to the KESAB Board would create a Conflict of Interest around these activities, however the program and associated contract is managed by the Manager, Corporate Services, Shane Raymond and the uptake is driven by individual Member Councils. Therefore I am confident that this and any associated conflicts can be appropriately managed.

**Recommendation**

**The Board endorse General Manager, Rob Gregory, accepting the KESAB Environmental Solutions Board casual vacancy, commencing in May 2018.**