

Audit Regulation 17: some suggestions from our Systems and Procedures Reviews

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Civic Legal has been assisting local governments with their requirements under regulation 17 of the *Local Government (Audit) Regulations 1996 (WA)* since 2016.

Over the years, we have found that local governments generally have an assortment of accountability systems in place, as well as officers who are well aware of their responsibilities. However, we have also always been able to recommend improvements that can be made.

This article looks at some of the most common recommendations from recent reviews done by Civic Legal. We also consider how local governments might view the requirements of regulation 17, and its value.

‘... a regulation 17 review is about much more than compliance’

Really, what is the point of a regulation 17 review?

A regulator would probably say it's about compliance and accountability. But for those who actually work in a local government, it's potentially much more than that.

Regulation 17 provides a mechanism for local governments to:

- identify issues or gaps in current systems and procedures;
- foster a culture of continuous improvement and a focus on processes and standards;
- build officer knowledge of relevant systems and procedures throughout the local government; and
- track improvements made to the systems and procedures over time.

It might also provide some insurance against those inevitable questions about operational efficiency and effectiveness.

How do local governments approach the regulation 17 review?

Every local government in WA must assess the effectiveness and appropriateness of its system and procedures at least once every three financial years. No clear standards or templates for these reviews have been officially established. As a result, regulation 17 reviews are being carried out in various formats by local governments, or their consultants.

The quality and usefulness of a regulation 17 review depends not only on available resources, it also depends on the CEO's mindset and the goals they set for themselves.

Internal reviews

Some local governments opt for conducting regulation 17 reviews in-house. The local government audit committee would need to be satisfied that this approach would advance the quality of its systems and procedures.

However, there are some inherent disadvantages to a local government doing their review in-house.

One disadvantage might be bias or a lack of objectivity coming out of personal involvement in having set up or maintaining some of the systems.

Another potential disadvantage might be the systems blindness, where overfamiliarity with a system or procedure can lead to complacency or blind spots amongst officers.

Engaging an objective, external consultant may reduce operational and governance risk in the long run. It is the external pair of eyes that may be more likely to identify key risk factors in the organisation that its own officers might not.

Some novel approaches

Some new models are emerging to ease the practical and financial burdens of conducting regulation 17 reviews.

For example:

1. **Undertaking a review every year** focusing on one of the three categories (risk management, internal control and legislative compliance). Over three years, all the categories are addressed.
2. **Rotating between internal and external reviewers** to ensure a “fresh pair of eyes” is used every second review cycle.
3. **Undertaking the review in-house, but with the aid of governance consultants** who provide mentoring and guidance, thereby providing an unusual opportunity to upskill and build teamwork.

The profile of the local government, its culture and its objectives will all play a part in selecting a model.

Some suggestions from our Systems and Procedures Reviews

Our Governance Team always makes useful suggestions in every review it conducts. If it had to identify a handful of broad areas and related suggestions to highlight to CEOs, they would include the following:

1. Reliance on key officers

It is not uncommon to find over-reliance on the knowledge and experience of key officers.

Although this is often characterised by smooth operation at the time, it can leave the local government vulnerably exposed to gaps in corporate knowledge when those officers leave.

Therefore, local governments should capture procedures in written documents and use these for officer inductions.

Doing this will help ensure that tasks are performed in a consistent manner across the organisation.

2. Out of date policies and procedures

It is not uncommon to find that the policies and procedures of local governments are not regularly reviewed.

It is not unusual to find that the hardest work seems to be done in setting up policies and procedures. However, much less work is done when it comes to updating them.

The solution is to have a review process in place and to put it in the calendar.

3. Inconsistent or irregular communication to officers

It is not uncommon to find gaps of knowledge amongst employees. Yet, in order to maintain efficiency and promote good customer service, every employee should be fully aware of their responsibilities as well as the existence and applicability of relevant supporting documentation (policies, procedures, delegations, authorisations, etc).

There is no substitute for regular training. This should be conducted and recorded to ensure employees are competent and confident in their roles.

4. Keeping up to date with new legislation and requirements

Many local governments have no structured way to keep up to date with new legislative requirements.

For instance, almost every local government has been or should now be aware of the *Work Health and Safety Act 2020*, which came into effect on 31 March 2022. That was accompanied by wide and sustained publicity.

Yet the courts produce an unending stream of decisions, which develop the law from year to year – laws which local governments are also bound to comply with.

One solution might be to turn the local government from being passive in receiving information about legal developments to being active. This could be as simple as creating a calendar at the beginning of each year to engage with law firms and others to receive information.

5. Keeping track of various deadlines

Some local governments do not have a formal method of tracking all the deadlines that apply to them.

All deadlines including policy reviews, corporate document reviews and delegation register reviews should be captured in a corporate calendar. Further, such calendars should have set reminders for relevant officers.

Conclusion

Local governments sometimes assume that their systems and procedures are adequate because everything seems to run smoothly.

And one cannot assume that a process is adequate and compliant because it has always been done a certain way.

This is why systems and procedures reviews, whether done in-house, or with the support of an external consultant, present an opportunity to effect changes in culture and continuous improvement.

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