



Shire of York

Request for Quotation – Financial Management, Risk Management, Internal Control and Legislative Compliance Review

The Shire of York is located in the Wheatbelt region of Western Australia, approximately 95km east of Perth. The Shire has an operating Budget of approximately \$10 million, with over \$5 million generated from Rates. The Shire recently appointed Mr Paul Martin to the role of Chief Executive Officer (CEO). Mr Martin is seeking assurance as to the appropriateness and effectiveness of the Shire’s systems and procedures and to set a best practice benchmark for the future. As a result, the Shire is looking to appoint a suitably qualified consultant to undertake a comprehensive review of the Shire’s:

- Financial Management
- Risk Management
- Internal Controls
- Legislative Compliance

The CEO has chosen for the review to be undertaken by an external party in order to engage a higher level of expertise in the relevant areas and ensure independence.

Financial Management

The Local Government (Financial Management) Regulations 1996 under Regulation 5 requires the Chief Executive Officer (CEO) to ensure efficient systems and procedures are established for the local authority. The CEO has substantial operational responsibility to ensure financial matters are handled effectively and efficiently. Regulation 5(2)(c) states the CEO is to “undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews”.

The last review under Regulation 5 was reported on in December 2013 (Audit Committee February 2014).

Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 outlines the CEO’s duties as to financial management. The table below details these duties and a list of the key areas the Shire would like reviewed (but not limited to):

Regulation 5 - effective systems/procedures	Shire of York’s Financial System/Procedure	
(a) for the proper collection of all money owing to the local government; and	<u>General</u> General Journals	<u>Assets</u> Register
(b) for the safe custody and security of all money collected or held by the local government; and	Bank Reconciliations Petty Cash Management	Acquisitions and Disposals
(c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and	Wages and salaries Trust Funds Record Keeping General practices	Depreciation <u>Documents</u> Annual Budget
(d) to ensure proper accounting for municipal or trust —	Authorisations	Long Term Financial Plan
(i) revenue received or receivable; and	<u>Revenue</u> Rates	Financial Reports
(ii) expenses paid or payable; and	Receivables	<u>Compliance</u>
(iii) assets and liabilities; and		

(e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and	Fees and Charges	Insurance Goods & Services Tax
(f) for the maintenance of payroll, stock control and costing records; and	Expenditure Procurement	Fringe Benefit's Tax Minutes & meetings
(g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.	Payments Credit card procedures Cost management and control Overhead allocations	Registers Delegations Audit Committee Information storage

Risk Management, Internal Control and Legislative Compliance

The Local Government (Audit) Regulations 1996 under Regulation 17 requires the CEO to review the appropriateness and effectiveness of a local government's systems in relation to risk management, internal control and legislative compliance. Each of these areas is to be the subject of a review at least once every 2 calendar years.

The last review under Regulation 17 was conducted in house and reported to the Audit Committee on 18 March 2015.

The CEO has decided to conduct the Regulation 17 review alongside the Financial Management Review. It is noted the Department of Local Government and Communities issued Operational Guideline Number 9 with respect to Audit in Local Government. The Shire would expect that the scope of works cover the minimum of this Guideline. The tables below outline some (but not limited to) key areas the Shire would like reviewed (in addition to those reviewed as part of the Financial Management Review):

Risk Management
Existence and effectiveness of the risk management system
Currency and effectiveness of the Shire's Business Continuity Plan
Process for determining and managing material operating risk
Occurrence of regular risk reports
Adequacy of processes to manage insurable risk
Adequacy of insurance cover
Adequacy of controls in place to deal with unusual or risky transactions
The Shire's procurement framework with a focus on probity and transparency
Treatment plan for fraud and misconduct risks
Overall monitoring, reporting and communication surrounding risk management

Internal Controls
Delegation of authority (completeness and adherence)
Adequacy of segregation of duties
Adequacy of documented policies and procedures
Effectiveness of policy and process reviews
Adequacy of internal audits
Access to Information Technology and other relevant controls

Legislative Compliance
Current measures to monitor and capture legislative compliance
Ability of the Shire to stay informed regarding legislative changes
Management of information and data
Procedures for receiving, retaining and treating complaints

Note: The CEO will ensure relevant Shire staff are available during the review to assist with accessing systems, sourcing information and knowledge transfer. The CEO views these reviews as a valuable learning tool for the organisation to encourage and ensure ongoing best practice in the management of the Shire.

Deliverables

The intent of the report is to provide the CEO with a clear understanding as to the appropriateness and effectiveness of the Shire's current systems and processes and articulate any areas for improvement.

The Shire expects a comprehensive Audit Plan to form part of the response, including a full list of areas to be reviewed and a timetable.

At the completion of the review, a draft report is to be submitted to the CEO for review prior to the report being submitted to the Audit Committee and Council. The report should contain the full list of areas reviewed, details of testing, results, risk and recommendations for a prioritised improvement plan.

The report must be submitted to the Shire by 30 December 2016 within 5 weeks of commencing the review. The consultant/auditor may be required to attend the Audit Committee meeting to present the report and answers questions from Elected Members.

The quote must detail:

- The qualifications and experience of the staff that would be assigned to the review
- At least two recent references where a similar audit plan was undertaken
- Evidence of insurance currency

Pricing must be outlined as follows:

Staff Level	Number of Hours (Hrs)	Hourly Rate (\$)	Total Ex. GST (\$)	GST (\$)	Total Incl. GST (\$)
Partner					
Manager					
Senior					
Graduate					
Other					
				GRAND TOTAL	\$

All quotes must be submitted by 4.00 pm on 6 September 2016. Late submissions will not be accepted.

Assessment

The Shire will assess all quotes based on the following criteria:

Audit Plan	20%
Experience in undertaking similar reviews	20%
Skills & Capacity to deliver within nominated timeframes	20%
Price	30%
References	10%