



Request for quotations to undertake a review of the appropriateness and effectiveness of the City of Joondalup's systems and procedures in relation to risk management, internal control and legislative compliance.

REQUIREMENTS

The City of Joondalup (the City) requires independent qualified consultants to:

1. Undertake a review of the appropriateness and effectiveness of the City's systems and procedures in relation to risk management, internal control and legislative compliance.

DETAILS

Regulation 17 of *the Local Government (Audit) Regulations 1996* requires the Chief Executive Officer of a local government to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –

- (a) risk management; and
- (b) internal control; and
- (c) legislative compliance.

Risk Management

To determine if the City has effective risk management systems that allows the identification, assessment and management of risks and reporting of risks to an appropriate level.

Internal Control

To determine if an effective internal control system is in place that safeguards assets, ensures accurate and reliable financial reporting and promotes compliance with legislation and effective and efficient operations.

Legislative Compliance

To determine if compliance programs allow the meeting of legislative compliance and that suitable monitoring and reporting systems are in place.

The Department of Local Government, Sport and Cultural Industries *Operational Guidelines Number 09 Audit in Local Government Appendix 3* provides further details and information on issues that should be considered for inclusion in the Chief Executive Officer's review of risk management, internal control and legislative compliance (refer to Attachment).

The review is to be carried out not less than once in every three financial years and the Chief Executive Officer is to report to the Audit and Risk Committee the results of that review.

QUOTATIONS AND SUBMISSIONS

The preference is for a fixed lump sum quotation.

Submissions should demonstrate a clear understanding of the City's requirements and detail the proposed methodology and approach for undertaking the review.

Quotations must be received by 4.00pm on 20 July 2022.

TIMELINES

The successful company will be informed by the City within two weeks of the request for quotation closing date. The date for commencement and completion of the review will be agreed on appointment, however the City would expect that a draft report is provided to the Chief Executive Officer within three months of the commencement date of the review.

ACCESS TO INFORMATION

The City will ensure access to all relevant employees and information to enable the review to be completed in a thorough, reasonable and timely manner.

CONTACT FOR SUBMISSION OF QUOTES

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FURTHER INFORMATION MAY BE OBTAINED FROM

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Appendix 3

Issues that should be considered for inclusion in the CEO's Review of Risk Management, Internal Control and Legislative Compliance

Please note: Section 7 of the Department's Western Australian Local Government Accounting Manual provides a comprehensive internal control framework related to internal control and risk management.

Risk Management

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

- Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;
- Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas;
 - potential non-compliance with legislation, regulations and standards and local government's policies;
 - important accounting judgements or estimates that prove to be wrong;
 - litigation and claims;
 - misconduct, fraud and theft;
 - significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment;
- Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated,

monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

Internal Control

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

An effective and transparent internal control environment is built on the following key areas:

- integrity and ethics;
- policies and delegated authority;
- levels of responsibilities and authorities;
- audit practices;
- information system access and security;
- management operating style; and
- human resource management and practices.

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework will include:

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

- regular liaison with auditor and legal advisors.

The following are examples of controls that are typically reviewed:

- separation of roles and functions, processing and authorisation;
- control of approval of documents, letters and financial records;
- comparison of internal data with other or external sources of information;
- limit of direct physical access to assets and records;
- control of computer applications and information system standards;
- limit access to make changes in data files and systems;
- regular maintenance and review of financial control accounts and trial balances;
- comparison and analysis of financial results with budgeted amounts;
- the arithmetical accuracy and content of records;
- report, review and approval of financial payments and reconciliations; and
- comparison of the result of physical cash and inventory counts with accounting records.

Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- Monitoring compliance with legislation and regulations;
- Reviewing the annual Compliance Audit Return and reporting to Council the results of that review;
- Staying informed about how management is monitoring the

effectiveness of its compliance and making recommendations for change as necessary;

- Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;
- Obtaining assurance that adverse trends are identified and review management's plans to deal with these;
- Reviewing management disclosures in financial reports of the effect of significant compliance issues;
- Reviewing whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee;
- Considering the internal auditor's role in assessing compliance and ethics risks in their plan;
- Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements; and
- Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.