

## 1. Introduction

Internal control is part of Council's corporate governance framework and covers areas such as strategic management, business development, project management, finance, etc. It comprises procedures to mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded, legislation and council policies/rulings are complied with and financial reporting is accurate and reliable.

As a first step towards developing a complete risk management and corporate governance framework the financial component of internal controls will be addressed and these are required to ensure Council resources are used prudently and in an efficient, effective and economical manner. Examples of the types of activities addressed are accounts payable, payroll, budgeting, management reporting, banking and contracting. Financial internal controls are critical to effective risk management of a Council's operations and promote the achievement of its goals and objectives.

Council is committed to maintaining an effective Internal Control environment.

## 2. Policy Objective

Council's objectives of this Policy are:

- a) Risks relating to the stewardship of public resources are adequately managed through effective internal controls.
- b) A framework for an effective internal control system which conveys to managers that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across the council and to all employees that they are responsible for adhering to those internal controls.
- c) To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

## 3. Policy Statement

### 3.1 Risk Management Approach

Council will maintain an internal control framework, which will be based upon a proactive risk management culture. The types of risks identified in the framework will be those which may prevent council from meeting its objectives or not maximising its opportunities. The first risk area covered by Council is financial management, for which internal controls will be identified, documented and managed. It is recognised that all risks cannot be eliminated, however the internal controls applied should reduce the likelihood of the risk occurring to within acceptable limits of risk.

Council will develop a culture that emphasises integrity, ethical values and competence

## 3.2 Roles and Responsibilities

The Council is responsible for approval of the Internal Control Policy and the Chief Executive Officer for developing and maintaining an internal control framework, which ensures Council objectives are achieved efficiently and effectively. Updates on changes to the framework will be presented to the Audit & Risk Committee.

The Chief Executive Officer and Principal Member of Council must also sign the financial statements in regard to internal controls as required by *Local Government (Financial Management) Regulations 2011* r14.

The Leadership Team must adopt a risk management approach to identifying and assessing risks and apply cost/benefit analysis in the development of internal controls. Council employees must conduct their duties in accordance with internal control policies procedures and practices of Council.

## 3.3 Elements of an Internal Control Framework

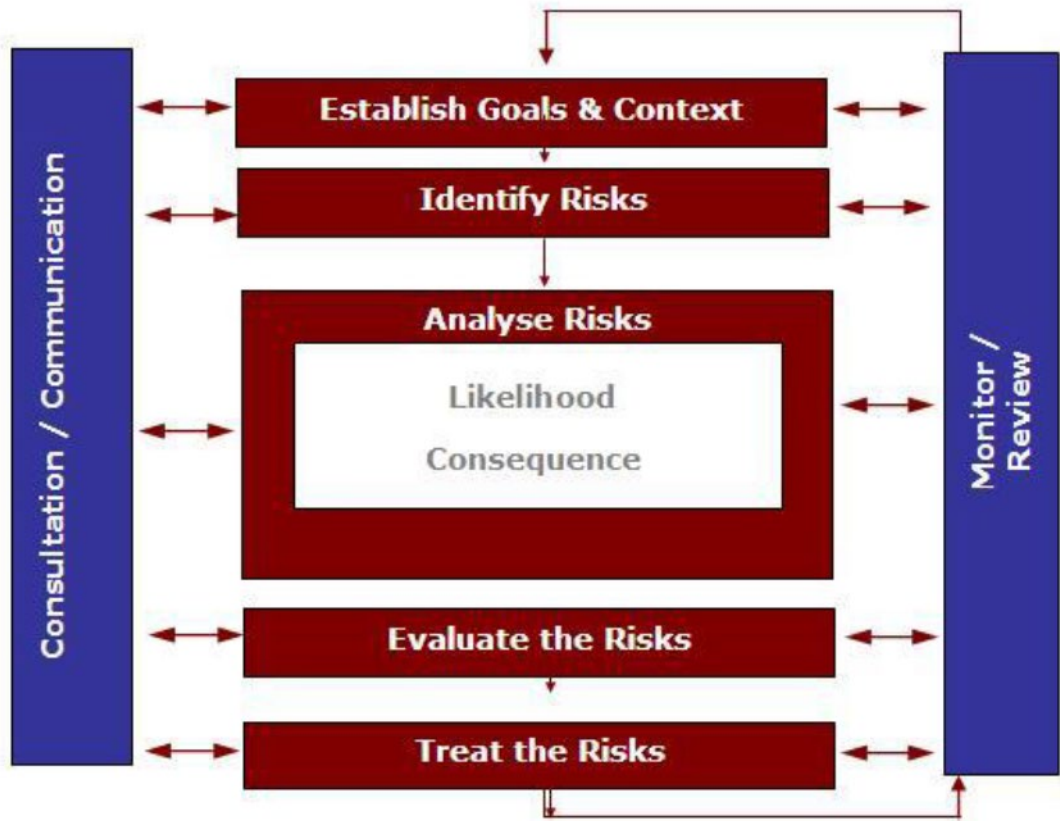
The essential elements of an effective internal control framework are:

- Structure and culture of Council;
- Delegations of Authority;
- Policies and procedures;
- Trained and properly qualified staff;
- Information Technology controls;
- Review process e.g. internal audit;
- Liaison with auditors and legal advisors;
- Leadership Team compliance assurance;
- Risk identification and assessment.

## 3.4 The Risk Management Process

The process followed by Council in developing the framework appears below in diagrammatic form extracted from Australian/New Zealand Standard AS/NZS ISO 31000:2009

## The Risk Management Process



AS/NZS ISO 31000:2009

**Establish Goals & Context** – Effective risk management requires a thorough understanding of the goals and context of Council to assist in establishing the assessment criteria for risk management.

**Identify Risks** – Identify the risks most likely to impact on the achievement of Council's objectives.

**Analyse Risks** – Assess effectiveness of risks in terms of likelihood and consequence to identify the current risk level.

**Evaluate Risks** – Determine whether the risks are acceptable or unacceptable and document findings.

**Treat Risks** – Treat risks by one of the following methods - discontinuing activity that generates it, reducing likelihood of occurrence, reducing consequence of occurrence, transfer the risk or retain the risk.

**Consultation/Communication** – These are important elements to ensure that all stakeholders understand why actions are required. These stakeholders include all staff and Councillors.

**Monitor/Review** – Responsible officers must be identified for each internal control and provide feedback to Directors on progress with controls. The Directors monitor the effectiveness of risk treatments and report progress to the Leadership Team and the Audit & Risk Committee at regular intervals.

## 4. Database of Internal Controls

The database of internal financial controls will be reviewed at least every twelve months to ensure all controls are current and appropriate and the Senior Management Team and the Audit Committee will be informed of the outcome of each review and updated regularly on progress with action plans identified during the reviews.

## 5. Support with Development of a Risk Management System

To assist in the ongoing improvement of a risk management system the Local Government Association's *Better Practice Model – Internal Financial Controls* should be reviewed from time to time, to identify the current recommended risk management database of internal controls and supporting documentation.

## 6. Monitor and Review of Policy

The effectiveness of this policy shall be reviewed at least once every two (2) years. The Chief Executive Officer will report to Council on the outcome of the evaluation and make recommendations for amendment, alteration or a substitution of a new policy.

## 7. Document administration and control

Policy title:	Internal Financial Control Policy
Policy number:	04.28
Policy type:	Council / Statutory
Responsible officer:	Chief Executive Officer
Committee Review:	Audit & Risk Committee 3 March 2023 [027-2023]
First issued / adopted:	14/1/2014
Review period:	Reviewed within 12 months following the conclusion of a periodic election, inline with legislative changes or by resolution of Council
Last reviewed:	17/6/2016, 12/6/2018, 21 March 2023 [046-2023]
Next review date:	By November 2027
Version:	Version 4
Date revoked:	N/A
Applicable legislation:	Local Government Act 1999 - Sections 125, 126, 129 & 130 Local Government (Financial Management) Regulations 2011 r14 (e) Related Council Policies and Corporate Documents. Australian/New Zealand Standard AS/NZS ISO 31000:2009
Related documents:	Fraud and Corruption Prevention Policy Procurement Policy Prudential Management Policy
Public consultation required / undertaken:	No
Availability	<p>This Policy is available for inspection at the Council office and any person may obtain a copy of this Policy upon payment of the fee fixed by Council in accordance with Council's Fees and Charges adopted each financial year. It is also available on Council's website <a href="http://mtr.sa.gov.au">mtr.sa.gov.au</a>.</p> <p>Any grievance in relation to this policy or its application should be forwarded in writing to the Chief Executive Officer of the Council.</p>
File reference:	W:\4. Policy Manuals\Current Policy Manual